

DECISIONS  
OF THE  
RAILROAD COMMISSION

OF THE  
STATE OF CALIFORNIA

---

VOLUME IV

JANUARY 1, 1914, TO JUNE 30, 1914



CALIFORNIA  
STATE PRINTING OFFICE  
1914  
LIBRARY  
UNIVERSITY OF CALIFORNIA  
DAVIS



## COMMISSIONERS

---

JOHN M. ESHLEMAN, President

H. D. LOVELAND

ALEX GORDON

MAX THELEN

EDWIN O. EDGERTON

CHARLES R. DETRICK

Secretary

Office of Commission :

833 Market Street

San Francisco

# CALIFORNIA RAILROAD COMMISSION DECISIONS.

---

DECISION No. 1189.

CITY OF ONTARIO, A MUNICIPAL CORPORATION,

vs.

ONTARIO-UPLAND GAS COMPANY.

---

Case No. 458.

*Decided January 3, 1914.*

---

*Held.* That the present rate of defendant of \$1.75 per thousand cubic feet is unjust and unreasonable. Minimum monthly rate of 50 cents established and a rate of \$1.25 per thousand cubic feet ordered into effect.

*Isaac Jones*, for Complainant.

*Arvey & French*, for Defendant.

## REPORT OF THE COMMISSION.

*ESHELMAN, Commissioner.*

The complainant in this case alleges that the rates charged for gas supplied by Ontario-Upland Gas Company to the inhabitants of the city of Ontario are unjust and unreasonable and requests that this Commission establish fair and equitable rates at which such gas shall be sold.

City of Ontario is a municipal corporation of the sixth class, having been incorporated under general laws in 1891. On July 29, 1913, at an election duly called and held, the city of Ontario voted not to retain its powers of control over certain classes of public utilities and thereafter, as provided by law, the power of control over the defendant company was vested in this Commission.

On August 25, 1913, the board of trustees of the city of Ontario passed a resolution authorizing the present action, and subsequently, on September 2, 1913, the complaint in this case was duly filed with the Commission.

The franchise under which gas is now being distributed by the defendant company in the city of Ontario was granted by the board of trustees of said city by Ordinance No. 190 on March 2, 1909.

This franchise provides for a gross revenue tax of 2 per cent to take effect five years from the date of grant. The effect of such tax upon future expenses has been considered.

Ontario-Upland Gas Company was incorporated on March 13, 1909, with an authorized capital of \$100,000.00 divided into 100,000 shares of \$1.00 each. Of the authorized capital stock it appears that at least 88,995 shares have been issued as follows:

21,524 shares allotted to subscribers at 50 cents per share-----	\$10,762 00
5 shares to original subscribers at \$1.00 per share-----	5 00
42,466 shares allotted to J. R. Anderson on basis of 50 cents per share in part payment for supplying and erecting plant and laying street mains-----	21,233 00
25,000 shares allotted as fully paid to J. R. Anderson-----	(Free)
<hr/> 88,995 shares -----	<hr/> \$32,000 00

The difference between the cash or other consideration received on the above issue of the 88,995 shares of capital stock and the par value of the stock so issued amounting to \$56,995.00 is carried on the books as "Cost of Franchise."

The authorized bonded indebtedness of defendant company is \$25,000.00 and this entire amount has been issued and allotted to J. R. Anderson in part payment for supplying and erecting the gas plant in the city of Ontario and laying street mains in Ontario and Upland. The bonds bear interest at 7 per cent and are redeemable on June 1, 1921, at par. The issue is secured by a certain trust deed which however does not contain any arrangement for the redemption of the bonds, nor has defendant company made any provision for paying them off at maturity.

It will be noted that the total face value of stocks and bonds delivered to J. R. Anderson in payment for the gas plant and distributing system acquired by the Ontario-Upland Gas Company was \$92,446.00, although 42,446 shares of stock, as above noted, were allotted to said J. R. Anderson on the basis of 50 cents per share and 25,000 shares in addition appear to have been in the nature of a bonus. This will closely correspond to the value of the plant and street mains acquired as carried on the books of the company prior to December, 1912.

Service in Ontario was inaugurated in July, 1909, and since that date defendant has been continuously engaged in the manufacture of gas and its distribution in the incorporated towns of Ontario and Upland.

The gas manufacturing plant of the Ontario-Upland Gas Company is located in the outskirts of the city of Ontario, and consists of two 4-foot Beals gas generators, with the necessary scrubbers, purifiers and accessory equipment. The rated output capacity of the plant is

10,000 cubic feet per hour, but the actual maximum daily capacity probably does not exceed 180,000 cubic feet of gas. The storage equipment consists of one 30,000 cubic foot (capacity) steel holder. The present purifier capacity appears to be inadequate, and provision is now being made to install an additional unit, with necessary piping, which will insure complete purification even with a largely increased output.

The maximum daily demand on the manufacturing plant has not, up to the present time, exceeded about 90,000 cubic feet, and inasmuch as the present generator capacity is sufficient to take care of double this maximum demand it will be evident that with increased purifier capacity the plant should be ample for the needs of the territory served until the daily demand for gas has increased 100 per cent. The holder capacity, while only sufficient to carry the maximum demand for a few hours in the event of the plant being entirely disabled, is thought to be ample because the possibility of both generators becoming inoperative at the same time is very remote.

The gas is generated intermittently, purified and stored in the holder at about five-inch (water) pressure, which is sufficient to maintain an adequate pressure at consumers' meters except during the three daily peaks, when it is necessary to operate a small booster. This booster raises the pressure at the plant to about fifteen inches (water), and serves to compensate for the drop in pressure due to the heavy demands over the peak periods.

From the plant the gas is transmitted through a six-inch main to the distribution center in Ontario from where it is distributed to the various consumers through five, four and two-inch laterals. The six-inch transmission main is continued in a northerly direction to the town of Upland, being tied in with a four-inch loop line at about the northern limits of Ontario, and a similar system of distribution laterals has been laid in Upland. Where possible all mains and laterals have been laid in alleys to avoid subsequent paving expense, and the entire plant appears to be in excellent operating condition.

As to the quality of the gas produced at the Ontario plant no reliable data appears to be available. No analysis has been made to determine the composition of and impurities in the gas, and no tests have been made to ascertain its calorific value.

Defendant company now has in service some 971 meters, of which about 70 per cent are connected with the Ontario distribution system and approximately 30 per cent with the distribution system in Upland.

The gas sold during the year 1912 was about 17,060,900 cubic feet and 9,137,300 cubic feet during the first six months of 1913. Assuming

that the sales during the year 1914 will be equal only to double the gas delivered during the first half of the year 1913, the total sales during the year 1914 will be 18,274,600 cubic feet. Taking into consideration the fact that the sales during the first half of 1913 did not show the normal increase, the basis used will give a very conservative estimate of the probable amount of gas which will be sold during 1914.

The present rates of the Ontario-Upland Gas Company as filed with this Commission on May 16, 1912, and which apply uniformly to all territory served by defendant including the city of Ontario, are as follows:

One dollar and seventy-five cents per thousand cubic feet, subject to a discount of twenty-five cents per thousand cubic feet if bills are paid on or before the fifteenth of the month in which the said bill is rendered.

All bills for 5,000 cubic feet and over of gas consumed during any one month are subject to the following discounts:

5,000 to 7,500 cubic feet.....	5 per cent
7,500 to 10,000 cubic feet.....	10 per cent
10,000 to 15,000 cubic feet.....	15 per cent
15,000 to 50,000 cubic feet.....	20 per cent
50,000 to 75,000 cubic feet.....	25 per cent
75,000 cubic feet and over.....	33½ per cent

No minimum charge is collected.

The book value of the physical plant of the Ontario-Upland Gas Company, as shown by the company's book, is as follows:

AS OF SEPTEMBER 30, 1913.

Land devoted to gas operations.....	\$800 00
Gas plant building and general structures.....	1,634 00
Gas holders .....	9,000 00
Furnaces, boilers and accessories.....	1,497 84
Gas generators .....	5,250 00
Purification apparatus .....	3,750 00
Steam engines .....	1,098 36
Accessory equipment .....	2,412 46
Distribution mains .....	31,092 92
Gas services .....	1,640 59
Gas meters .....	5,913 44
Gas regulators .....	18 50
Miscellaneous distribution equipment.....	694 80
Stove room and shop.....	329 48
Office equipment .....	587 34
Commercial arc lamps.....	148 08
Materials and supplies.....	1,908 60
<b>Total .....</b>	<b>\$67,776 45</b>
Intangible assets: Organization expense.....	483 48
<b>Total .....</b>	<b>\$68,259 93</b>

The Commission's engineering department has made the following estimate of the cost to reproduce and the present value of the plant and system of defendant company:

Item	Cost of reproduction	Present value
Real estate .....	\$800 00	\$800 00
Buildings .....	2,000 00	1,600 00
Generating equipment .....	13,848 00	11,080 00
Mains .....	25,412 00	20,328 00
Services .....	1,762 00	1,411 00
Meters .....	6,692 00	5,354 00
Furniture, teams, etc. ....	1,639 00	1,421 00
Material—supplies .....	1,908 00	1,908 00
Organization expense .....	806 00	806 00
Contingencies .....	2,526 00	2,526 00
Engineering and superintendence .....	4,511 00	4,511 00
Interest during construction .....	1,827 00	1,827 00
<b>Total operative .....</b>	<b>\$63,731 00</b>	<b>\$53,572 00</b>
<b>Total non-operative .....</b>	<b>1,200 00</b>	<b>1,200 00</b>
<b>Total .....</b>	<b>\$64,931 00</b>	<b>\$54,772 00</b>

The earnings of defendant company for the year 1912 and the first nine months of 1913 were as follows:

Earnings	Year to December 31, 1912	Nine months to September 30, 1913
Sales of gas—Ontario and Upland, including prepaid meters .....	\$27,490 80	\$18,909 57
Profit on sale of stoves and ranges .....	\$315 78	\$186 75
Profit on house services .....	437 45	218 05
Profit on oil sales .....	616 90	65 00
	1,364 13	469 80
<b>Total earnings .....</b>	<b>\$28,854 93</b>	<b>\$19,379 37</b>

The sale of gas for the first nine months of 1912 was \$17,962.75, showing an increase for the same period during 1913 of \$946.82 or 5.3 per cent. This increase is less than normal.

The operating expenses of defendant company for the year 1912 as shown by the books amounted to \$12,460.27, exclusive of taxes. For the first six months of 1913 the corresponding amount was \$7,768.53, corresponding to an increase of 19.7 per cent over 1912. Per thousand feet of gas sold the expense amounted to \$0.7328 in 1912 and \$0.8503 in 1913.

This difference in operating expense can not be attributed to the increased business, since it is greater by 12 cents per thousand cubic feet sold. After careful analysis of each item of expense in toto and

on a unit basis, it appears that a portion is accounted for by certain repairs to plant which will not normally recur annually. Accordingly, they have been distributed over the proper interval.

In ascertaining operating expenses for the future, the mean per unit consumption of 1912 and 1913 has been adopted as a more reasonable and stable basis. A direct analytical comparison of each expense between 1912 and 1913 is not possible due to the altered system of accounting inaugurated in 1913. The unit expense so obtained has been adjusted to include an increase in salary of the secretary of \$15.00 per month.

This operating expense does not include taxes, which are on a gross revenue basis, as follows:

State -----	4.6 per cent
City franchise tax -----	2.0 per cent
<hr/>	
Total -----	6.6 per cent

Disregarding the fixed charges on the investment and which we will assume to cover merely interest and an allowance for depreciation, and segregating to the supply and appliance business of defendant \$371.32, corresponding to double the business promotion expense for the first six months of 1913, we find that the entire operating cost of gas to be supplied during 1914 on the basis hereinbefore assumed, not including state or municipal franchise taxes, will be 77.55 cents per thousand cubic feet.

The amount provided for depreciation by defendant company is evidently excessive and is arrived at merely by taking 7 per cent of the book value of the physical property, after deducting accounts subject to appreciation and those adjusted from inventory. I am persuaded from the evidence that this allowance should not exceed 3 per cent of the value of the entire physical property.

After a careful consideration of all the facts and circumstances surrounding this case, I am of the opinion that a uniform rate of \$1.25 per thousand cubic feet should be established by this Commission for all gas sold by the Ontario-Upland Gas Company in the city of Ontario. This rate will be sufficient to provide, on a very liberal basis, for all operating expenses, in addition to allowing 3 per cent for depreciation and 8 per cent interest on the book value of the physical property, as contended for by the defendant, or a total allowance for interest and depreciation of over 11.7 per cent on the reproduction value of operative physical property as estimated by the Commission's engineering department. While this is undoubtedly liberal, I believe that under all the circumstances such liberality is justified.

At the preliminary hearing in this case defendant requested that the Commission consider the advisability of a minimum monthly charge in fixing a rate based on its readiness to serve. The city does not object to the establishment of such a minimum. The Commission has in the past explained its attitude in regard to a minimum for this class of service, and finds that a minimum charge of 50 cents per meter is justified in this case.

The effect of such a minimum charge on the 1913 business of the company is to increase the revenue \$470.00 per annum. The effect of such additional income has been considered in fixing the rate.

The service of this company covers the city of Ontario, complainant, and the adjoining municipality of Upland, which is not involved in this action. No unincorporated territory is served. Accordingly, it is necessary to determine some method of apportioning the capital and operating expense to each district. Consumption has been selected as the proper basis in this case. Such segregation is automatically obtained if a full cost rate is calculated per unit of gas sold.

Although the order in this case is not applicable to Upland, nevertheless it would be unjust to the utility to consider the effect on income of a higher rate in a locality not subject to our control.

In reaching a conclusion in this case I have taken into consideration the fact that no very substantial difference of opinion exists between the engineers of this Commission and the engineer of the company as to matters of valuation, but it should be understood that in subsequent investigations on this company whatever modifications of the book cost which may be found necessary will be made.

I have fixed the minimum charge of 50 cents, which is somewhat lower than the one ordinarily in effect, because there has heretofore been no minimum charge, and it is my opinion that changes from one system of rates to another should be gradual so long as justice is done to all parties.

I likewise have not taken into consideration the fact that this territory is increasing in population, and that the amount of gas to be served should increase and probably the cost per unit decrease in the future. While it is not the design of this Commission to deny to utilities a liberal return upon the proper investment, yet as the cost of performing this service shall decrease in the future subsequent adjustments of the rates should be made. For the present, however, I believe that the minimum monthly charge of 50 cents, together with the rate fixed, is just and reasonable. This minimum charge should apply to all meters, including the so-called prepay meters which are in use in Ontario.



Since the foregoing opinion was dictated, the attorney for the company, defendant herein, has called to this Commission's attention the fact that the gas holders in use in the city of Oakdale with which Mr. Kelley, engineer for this Commission, compared the Ontario plant, are of a different construction, being of thinner iron and costing from \$1,500.00 to \$2,000.00 less than the holders at Ontario. Under the disposition that has been made of this case, however, it becomes unnecessary to consider this matter further because I believe when the necessary additions are required to this company's plant that they should be made and that if such additions require an adjustment of rates such may be done hereafter.

I submit the following order:

**ORDER.**

The city of Ontario having filed with this Commission its complaint against the Ontario-Upland Gas Company alleging that said company's existing rates for artificial gas are unjust and unreasonable and requesting this Commission to establish rates which shall be just and reasonable, and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the existing rates charged and collected in the city of Ontario by the defendant herein, are unjust and unreasonable, and that a just and reasonable rate for gas to be charged and collected in the city of Ontario by the defendant herein is one and 25/100 (\$.25) dollars per thousand cubic feet of gas delivered, with a minimum monthly charge of fifty (50) cents per meter, and basing its order on the foregoing findings of fact,

*It is hereby ordered* that the Ontario-Upland Gas Company publish and file with this Commission a rate of one and 25/100 (\$.25) dollars per thousand cubic feet of gas to be delivered to its consumers within the city of Ontario, with a monthly minimum charge of fifty (50) cents per meter.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 3d day of January, 1914.

## DECISION No. 1190.

W. F. CROCKER AND WARREN CROCKER

*vs.*

THE SOUTHERN PACIFIC COMPANY.

Case No. 415.

*Decided January 3, 1914.*

## REPORT OF THE COMMISSION.

## ORDER OF DISMISSAL.

Complainants in this proceeding having filed with this Commission a written request that the complaint in this proceeding be dismissed, *It is hereby ordered* that the complaint in this proceeding be and the same hereby is dismissed.

By order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 3d day of January, 1914.

## DECISION No. 1191.

IN THE MATTER OF THE APPLICATION OF PITT RIVER  
POWER COMPANY FOR PERMISSION TO ISSUE PRE-  
ferred STOCK.

Application No. 693.

*Decided January 7, 1914.*

Applicant authorized to issue \$90,000.00, par value of preferred stock, \$30,000.00, in payment of a certain hydroelectric site and \$60,000.00 to cover cost of construction of hydroelectric plant. The latter amount of stock only to be issued after applicant has filed and had approved a detailed statement of proposed construction expenditures.

*Perry & Dailey*, for Applicant.

*Charles W. Slack*, for California Power and Manufacturing Company.

*Olin L. Berry*, for E. N. Wilson, L. A. Wilson, and N. B. Harris.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

Pitt River Power Company is engaged in the development of electric energy in and around Burney Falls, Shasta County, California.

Applicant has an authorized capital stock of \$500,000.00, divided into 5,000 shares of the par value of \$100.00 each. Of this stock 1,325 shares, of the par value of \$132,500.00, are preferred, having a 7 per cent noncumulative preferential dividend. The remainder of the stock is common. All of the common stock has been issued. Applicant has applied for permission to issue all of the preferred stock. It is proposed that 300 shares of this preferred stock, of the par value of \$30,000.00, shall be given to J. H. Logan in exchange for certain property hereinafter described, on which property is located Burney Falls, which is the site for the power plant of the Pitt River Power Company.

The parties have agreed that this transfer shall be made, and, under all the circumstances of this case, I recommend that this portion of the application be granted. The property to be transferred is described as consisting of certain specified lands and the water rights incident thereto. It must be distinctly understood that in granting this application the Commission must not be understood as finding that the value of the property to be transferred amounts to \$30,000.00. Neither must the Commission be understood as placing any value whatever upon whatever water rights are transferred to the Pitt River Power Company. I am stating the Commission's position fully, so that it can not be hereafter claimed that the Commission has, in this proceeding, given a value to these water rights.

It is proposed that the remainder of the stock herein applied for shall be issued for the purpose of paying for the proposed construction work in the development of applicant's hydroelectric system. Applicant has not submitted any detailed estimate, however, of this proposed construction work, and I do not feel, therefore, that this Commission should authorize the issuance of this stock, except upon the condition that prior to the issuance thereof applicant shall submit to, and shall have received, the approval of this Commission of a statement setting forth in detail the proposed expenditures to be made from the proceeds to be derived from the sale of this stock.

Applicant stated at the hearing that it was possible that \$60,000.00, exclusive of the \$30,000.00 to be paid to J. H. Logan, would cover the construction work.

I recommend, therefore, that applicant be permitted to issue its preferred stock only of the par value of \$90,000.00, and herewith submit the following form of order:

**ORDER.**

Pitt River Power Company having applied to this Commission for permission to issue 1,325 shares of preferred stock of the par value of \$132,500.00, and a public hearing having been held upon this applica-

tion, and the Commission being of the opinion that the purposes for which this stock is to be issued are not, in whole or in part, chargeable to operating expenses or to income, and that the application should be granted,

*It is hereby ordered* that Pitt River Power Company be, and it hereby is, authorized to issue 900 shares of its preferred stock of the par value of \$90,000.00 upon the following conditions, and not otherwise, to wit:

1. Applicant may issue preferred stock not to exceed \$30,000.00, par value, to be paid to J. H. Logan in consideration of the conveyance to applicant of the following described property:

The west half of the northwest quarter, section 4, and east half of northeast quarter, section 5, township 36 north, range 3 east, Shasta County, containing 160 acres, more or less, on which property is situated Burney Falls, together with all right, title and interest of said J. H. Logan to said Falls and water rights incident thereto.

It must be understood that the consideration given for this property shall not be taken before this Commission, or any other public body, as representing, for rate-fixing purposes, the value of the property transferred.

And, further, the Commission must not be understood as having, in any way, given or recognized a value in the water rights to be transferred.

2. Applicant may issue preferred stock of the par value of \$60,000.00 so as to net applicant the par value thereof; the proceeds derived from the sale of said stock to be used in the construction of applicant's hydroelectric system at Burney Falls. This stock shall, however, be issued only after applicant shall have submitted to the Commission, and shall have received the Commission's approval of a statement showing in detail the proposed expenditures in the construction of applicant's hydroelectric system.

3. Applicant shall keep separate, true and accurate accounts, showing the disposition of the stock herein authorized to be issued, together with a detailed statement of the application of the proceeds derived from the issuance thereof, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, which, in so far as applicable, is made a part of this order.

4. The authority herein granted applicant to issue stock shall apply only to stock issued on or before January 1, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of January, 1914.

IN THE MATTER OF THE APPLICATION OF THE PITT RIVER  
POWER COMPANY FOR PERMISSION TO SUPPLY ELEC-  
TRICITY IN THE NORTHEAST PORTION OF SHASTA  
COUNTY, AND IN MODOC AND LASSEN COUNTIES,  
CALIFORNIA.

---

Application No. 470.

*Decided January 7, 1914.*

---

Applicant granted a certificate of public convenience and necessity to construct and operate an electrical distributing system in certain portions of Shasta County.

*Perry & Dailey, for Applicant.*

*Charles W. Slack, for California Power and Manufacturing Company.*

*Olin L. Berry, for E. N. Wilson, L. A. Wilson, and N. B. Harris.*

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This Commission having, on the ninth day of December, 1913, made an order in this proceeding stating that the Commission would, upon application and under such conditions as it might prescribe, declare that public convenience and necessity require the exercise by applicant of the rights and privileges contained in a franchise applied for by the applicant, but not yet secured from the boards of supervisors of Shasta, Modoc, and Lassen counties; and Pitt River Power Company, a corporation, having been granted by the board of supervisors of Shasta County in ordinance adopted December 11, 1913, the right to erect, construct, maintain and operate over, along, across and upon the roads and other public ways of Shasta County, State of California, a system for the transmission of electricity for light, heat, power and other purposes, and applicant having applied to this Commission for a certificate declaring that public convenience and necessity require the exercise by applicant of the rights granted to it in said ordinance within the following specified territory, to wit: township 35 north, ranges 2, 3 and 4 east; township 36 north, ranges 2, 3, 4 and 5 east; township 37 north, ranges 2, 3, 4 and 5 east; township 38 north, ranges 3, 4 and 5 east, M. D. B. and M., all in the county of Shasta, State of California; and also township 37 north, range 6 east, and township 38 north, range 6 east, M. D. B. and M.

And it appearing that there is no opposition to the granting of this application,

*It is hereby declared* that public convenience and necessity require the exercise by Pitt-River Power Company of the rights and privileges granted to it by the boards of supervisors of Shasta County, in an ordinance adopted on December 11, 1913, a copy of which ordinance is attached to the application in this proceeding and marked Exhibit "A," it being understood that this certificate of public convenience and necessity is granted only as to those townships in Shasta County above specified, and also that this application is granted subject to the conditions imposed on the Pitt River Power Company in this Commission's order made on December 31, 1913, in Application No. 890, being the application of the California Power and Manufacturing Company for a certificate that public convenience and necessity require the exercise of the rights and privileges of the franchise granted to it by the board of supervisors of Shasta County, California, which order, in so far as applicable, is made a part of this order.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of January, 1914.

---

DECISION No. 1193.

IN THE MATTER OF THE APPLICATION OF NEAL A. McCONAUGHY FOR PERMISSION TO CONSTRUCT A PUBLIC HIGHWAY CROSSING AT GRADE OVER THE TRACKS OF SOUTH PACIFIC COAST RAILWAY IN LORENZO GARDEN ACRES, NEAR SAN LORENZO, ALAMEDA COUNTY, CALIFORNIA.

---

Application No. 881.

*Decided January 7, 1914.*

---

Applicant granted permission to construct a crossing at grade across the tracks of the South Pacific Coast Railroad Company. Said crossing to be constructed by the railroad but paid for by applicant. Effectiveness of order subject to acceptance by supervisors of easement from railroad.

*Leon A. Clark*, for Applicant.

*George D. Squires*, for South Pacific Coast Railway and Southern Pacific Company.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application by Neal A. McConaughy, under the provisions of section 43 of the Public Utilities Act, for an order authorizing the

construction of a public highway crossing at grade over the tracks owned by the South Pacific Coast Railway and operated by the Southern Pacific Company, at a point in a proposed subdivision to be called "Lorenzo Garden Acres," in Eden Township, Alameda County, California, where Grant avenue, as indicated on the map which is attached to the petition herein and marked "Exhibit A," crosses said tracks.

Mr. McConaughy is the owner of a tract of farming land lying in Eden Township, Alameda County, south of the town of San Lorenzo, and desires to subdivide the same. He has prepared a map showing the tract as subdivided, which map has been filed with the board of supervisors of Alameda County, but has not as yet been accepted. This map shows Grant avenue, a highway forty feet wide, running through the tract, between the two tiers of lots of this subdivision, from a connection with a public highway on the east, westerly across the tracks of the South Pacific Coast Railway to property of the Union Water Company. The railroad crossing is desired to enable persons who may purchase the eight lots lying west of the railroad right of way to secure ingress to and egress from their property.

The line of the South Pacific Coast Railway runs from Oakland to Santa Cruz. Some three daily passenger trains each way, as well as freight trains, are operated over this line. Mr. McConaughy has at present two private crossings over the railroad tracks, one north and the other south of the proposed point of crossing by Grant avenue. These crossings have a gate on either end, and are maintained by the Southern Pacific Company.

The travel over this crossing, if constructed, will be light. No one other than persons living on the eight lots west of the railroad right of way will be served thereby. The country is flat and there are no obstructions to the view in the vicinity of the proposed crossing. If the crossing is authorized, no safety device other than the whistling posts, hereinafter referred to, will at present be necessary. A separation of grades would be costly and unnecessary.

As appears from copy of letter dated November 23, 1913, from J. D. Brennan, superintendent of the Southern Pacific Company, attached to the petition as Exhibit "B," the Southern Pacific Company has consented to the proposed crossing, provided that Mr. McConaughy will release the present two private crossings and pay the entire expense incident to the installation of a standard public highway crossing. This expense will include the necessary construction work and grading and the installation of whistling posts, cattle guards and wing fences. The work is to be performed by employees of the Southern Pacific Company. Mr. McConaughy has agreed to these terms.

Two questions arose at the hearing—one concerning the grant by the

railway company of an easement for the crossing and the other concerning the maintenance of the crossing. The South Pacific Coast Railway has heretofore offered to execute and deliver to the county of Alameda a deed conveying an easement for the highway crossing, but the board of supervisors refused to accept it, apparently because of a fear that the acceptance of the deed might subject them to some obligation with respect to the crossing in excess of the obligations to which they would otherwise be subjected. The railway company then offered to convey the easement to Mr. McConaughy if he would give sufficient assurance that the crossing would thereafter be maintained. As the crossing will become a public crossing as soon as Grant avenue has been extended across the railway tracks and the offer to dedicate has been accepted by public user, it would seem proper that the title to this easement should vest in the county of Alameda. The order in this case will contain a provision to this end. It must be understood, however, that the acceptance of this deed by the county of Alameda will in no way increase such obligations with reference to this crossing as might rest on the board of supervisors, or any member thereof, in the absence of such deed.

The other matter is insignificant in fact, though of some importance in principle. It affects the duty of maintaining the approaches to the crossing. It is the duty of the railway company to maintain the crossing between the rails and a reasonable distance, say two feet, on each side thereof. The railway company does not desire to be placed in the position of being compelled hereafter to maintain the approaches as well. Until the offer of dedication has been accepted by user, it will be Mr. McConaughy's duty to maintain the approaches; thereafter it will be the duty of the board of supervisors, to the same extent, but no more, as is true in the case of all similar railroad crossings by public highways.

I recommend that the application be granted, subject to the conditions which will appear in the order.

I submit herewith the following form of order:

#### ORDER.

Neal A. McConaughy having applied to the Railroad Commission for an order authorizing the construction of a public highway, to be known as Grant avenue, over the tracks of the South Pacific Coast Railway, operated by the Southern Pacific Company, at a point in the proposed subdivision to be known as "Lorenzo Garden Acres," in Eden Township, Alameda County, California, as appears from a map which is attached to the petition in this proceeding, and marked Exhibit "A," and a public hearing having been held on said application, and it appearing to the Commission that it is not reasonable or practicable to



avoid a grade crossing at the proposed point of crossing, and that said application should be granted, subject to the conditions hereinafter specified,

*It is hereby ordered* that permission be and the same is hereby granted to Neal A. McConaughy to construct a road or highway forty (40) feet in width, at grade, across the tracks of the South Pacific Coast Railway, operated by the Southern Pacific Company, at a point in the tract known as "Lorenzo Garden Acres," in Eden Township, Alameda County, as indicated on the map which is attached to the petition and marked Exhibit "A," subject to the following conditions and not otherwise, to wit:

1. Said crossing shall be constructed by the Southern Pacific Company, but the entire expense thereof, including the actual construction and grading work, together with the installation of two whistling posts, one on each side of the crossing, and of the necessary cattle guards and wing fences, shall be paid to the Southern Pacific Company by Mr. McConaughy.

2. The width of the roadbed shall be not less than twenty-four (24) feet and the grades of approach to the crossing shall not exceed six (6) per cent. The crossing shall be ballasted with first-class stone or gravel ballast to a depth of not less than six (6) inches, across the track and to a distance of two (2) feet on each side thereof.

3. South Pacific Coast Railway shall execute and deliver to the county of Alameda a deed conveying an easement for said crossing, and unless the board of supervisors of said county accepts said easement, this order shall not become effective. If the board of supervisors accepts the easement, such acceptance will in no way increase the obligations to which the board or any member thereof would be subject, if such deed were not accepted.

4. The Railroad Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of January, 1914.

Decisions Nos. 1194 and 1195, grade crossings; not printed. See end of volume.

DECISION No. 1196.

LOS ANGELES RATE ASSOCIATION

*vs.*

PACIFIC ELECTRIC RAILWAY COMPANY, LOS ANGELES  
INTERURBAN RAILWAY COMPANY, LOS ANGELES AND  
REDONDO RAILWAY COMPANY, RIVERSIDE AND AR-  
LINGTON RAILWAY COMPANY AND THE LOS ANGELES  
PACIFIC COMPANY.

---

Case No. 459.

*Decided January 14, 1914.*

---

REPORT OF THE COMMISSION.

ORDER OF DISMISSAL.

Complainant having on January 6, 1914, requested that the complaint in this proceeding be dismissed,

*It is hereby ordered* that the complaint in this proceeding be, and the same hereby is, dismissed without prejudice.

By order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of January, 1914.

---

DECISION No. 1197.

IN THE MATTER OF THE APPLICATION OF NORTHWEST-  
ERN PACIFIC RAILROAD COMPANY FOR AN EXTEN-  
SION OF TIME WITHIN WHICH TO COMPLY WITH THE  
PROVISIONS OF CHAPTER 284 OF THE LAWS OF 1913  
RELATING TO HEADLIGHTS ON LOCOMOTIVES.

---

Application No. 915.

*Decided January 15, 1914.*

---

Applicant granted an extension of time to and including April 4, 1914, in which to comply with the provisions of chapter 284 (Statutes of 1913) regulating headlights on locomotives.

*Jesse W. Lilienthal, Albert Raymond, and Lilienthal, McKinstry & Raymond, for Applicant.*

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for an extension of time within which to comply with the provisions of chapter 284 of the Laws of 1913, approved June 4, 1913, regulating headlights on locomotives and providing penalties for the violation of the act. Section 1 of this act reads as follows:

"It shall be the duty of every railroad corporation, or receiver or lessee thereof, operating any line of railroad in this state, within six months after the passing of this act, or within such additional time as may be prescribed by order of the railroad commission of California, after such railroad has made a proper showing of its inability to comply therewith, to equip all locomotive engines, used in the transportation of trains over said railroad, with electric or other headlights which will project sufficient light to enable the locomotive engineer to observe clearly a dark object the size of an average man, at a distance of not less than eight hundred feet on a dark, clear night while his train is running at a rate of speed not less than thirty miles per hour; *provided*, that this act shall not apply to locomotive engines regularly used in the switching of cars or trains; *provided, further*, that this act shall not apply to locomotive engines used exclusively between sunup and sundown, nor going to or from repair shops when ordered in for repairs, nor to locomotive engines used on short lines or local lines where in the judgment of the railroad commission, the headlight herein provided for is not necessary for the preservation of public safety."

The applicant's testimony offered on behalf of the applicant shows that applicant has ordered thirty type "S" National Pyle Generator headlights, and that the manufacturer has agreed to ship the order by the end of this month. Applicant states that if the order is so shipped, it will be necessary to secure an extension until April 4th in order to be able to receive and install the headlights.

Applicant is of the opinion that this type of headlights will comply with the provisions of the law, and presented evidence with reference to a test of this type of headlights made by officials of the Southern Pacific Company in support of its belief in this behalf. The manufacturer guarantees that the headlights will comply fully with the provisions of the law. While this Commission will not undertake to pass on the sufficiency of any particular type of headlights, we desire to draw the attention of the railroads to the necessity of assuring themselves that such type as they may order will comply with the law.

Applicant's electric locomotives are said to be already supplied with headlights fully meeting the requirements of the law. Applicant, however, owns some 65 steam locomotives, of which 30 may at times be called upon for service before sunup or after sundown. It is appli-

cant's intention to ultimately equip all of its locomotives with headlights complying with the provisions of the law.

I am convinced that applicant is proceeding in good faith to comply with the provisions of the law and that its request for an extension of time until April 4, 1914, is a reasonable one.

Applicant should exert itself so as to comply fully with the requirements of the statute within the extension hereby granted.

I recommend that the application be granted and submit herewith the following form of order:

#### ORDER.

Northwestern Pacific Railroad Company having applied to the Railroad Commission under the provisions of chapter 284 of the Laws of 1913, for an extension of time within which to comply with said chapter, and the Railroad Commission finding that said company is proceeding in good faith to carry out the provisions of said chapter, and that an extension of time until April 4, 1914, would be reasonable,

*It is hereby ordered* that the time within which applicant must comply with the provisions of said chapter 284 of the Laws of 1913 be, and the same is, hereby extended to April 4, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of January, 1914.

#### DECISION No. 1198.

IN THE MATTER OF THE APPLICATION OF COAST COUNTIES GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF DEBENTURES OF THE FACE VALUE OF ONE HUNDRED FIFTY THOUSAND DOLLARS.

Application No. 920.

*Decided January 15, 1914.*

*Held.* Applicant authorized to issue \$150,000.00 face value of debentures, to be sold at not less than 93, proceeds to be used to reimburse applicant for moneys previously expended from income, for purposes chargeable to capital account.

*H. A. Van C. Torchiana*, for Applicant.

#### REPORT OF THE COMMISSION.

THELEN, *Commissioner.*

This is an application for an order authorizing the issue by Coast Counties Gas and Electric Company of its 6 per cent debentures of the

face value of \$150,000.00 for the purpose of reimbursing applicant for moneys heretofore expended from income or from borrowed moneys between March 21, 1912 and August 31, 1913, for capital expenditures.

Applicant heretofore in Application No. 750 requested an order authorizing the issuance of preferred stock of the par value of \$200,000.00 for this same purpose, but this Commission in its Decision No. 1124, dated December 13, 1913, denied said application without prejudice, on the ground principally that if such authority were granted, applicant would then have outstanding an issue of preferred stock of the par value of \$1,200,000.00 and common stock of the par value of \$1,000,000.00, against an equity not to exceed the sum of \$478,958.31. A reference is hereby made to the Commission's opinion in said case, in which opinion the applicant's financial affairs are fully considered.

In said opinion the Commission suggested that it "would look with much more favor upon an arrangement whereby new preferred stock, preferred over the outstanding stock, should be issued rather than preferred stock which participates equally with the present preferred stock which has not a proper basis of value behind it." Applicant has made efforts to dispose of such stock if it were issued, but has reached the conclusion that it would not be possible at the present time to issue such stock without paying entirely too much for the money to be secured from its sale. Applicant introduced evidence at the hearing to show that it would not be possible to sell such preferred stock at the present time for an amount in excess of 80 per cent of its par value on the basis of a 6 per cent preferred stock.

Applicant accordingly looked about for some other method of accomplishing the Commission's suggestion and reached the conclusion that it would be wiser at the present time to issue its 6 per cent debentures. Applicant has made tentative arrangements for selling these debentures for 93 per cent of their face value, together with accrued interest.

Applicant has accordingly authorized an issue of debentures of the face value of \$300,000.00, under the provisions of a proposed debenture trust agreement, a copy whereof is attached to the petition herein and marked "Exhibit D." This agreement is to be dated as of January 1, 1914, and is to be between the Coast Counties Gas and Electric Company and the Mercantile Trust Company. It authorizes the issue of 300 debentures of the sum of \$1,000.00 each, each to be payable to the holder or registered owner thereof on January 1, 1924, and to bear interest at the rate of 6 per cent per annum from date until paid, interest payable semiannually. The debentures may be called for payment prior to their maturity and may be paid or redeemed by the

obligor at its option on the first day of January, or on the first day of June in any year, at their face amount, plus 1 per cent premium and accrued interest. The proceeds of the debentures are to be used only to discharge or lawfully refund the utility's floating indebtedness and to acquire property to be used in its business, and in extending and developing the utility's business and service. None of the proceeds are to be used directly or indirectly to pay any cost of operation, maintenance or replacement, or to discharge or refund any obligation incurred for operation, maintenance or replacement.

Article 15 reads as follows:

"The party of the first part will not make or execute any mortgage, deed of trust or other instrument creating a lien or charge on either the whole or any part of its property, so long as any of these debentures shall remain outstanding, unless the party of the first part shall, out of the first proceeds to be derived by it from the sale or disposition of bonds, notes or other evidences of debt secured by such mortgage or deed of trust or other instrument creating a lien or charge on either the whole or any part of its property, deposit with the trustee a sufficient sum of money for the redemption of all of the aforesaid debentures then outstanding, and with such money redeem such outstanding debentures under and pursuant to the subsequent provisions of this agreement."

Applicant proposes at the present time to issue one half of the debentures so authorized, having the total face value of \$150,000.00, and to use the proceeds, as far as they will go, to pay off the indebtedness incurred for proper capital expenditures out of income or borrowed money between March 21, 1912, and August 31, 1913. Applicant testified that during said period the proper charges to capital account have amounted to \$218,959.24, as appears on a statement which is attached to the petition herein and marked "Exhibit C." Of this amount \$64,616.81 was paid from the sales of stock, leaving a balance of \$154,342.43 representing capital expenditures made in excess of the amounts paid from the proceeds of capital stock. If authority is given to issue the proposed debentures, the sum of \$139,500.00 and accrued interest will be derived therefrom, leaving a balance of something over \$14,000.00 which will have to be paid in some other way. The stock which was sold, as hereinbefore referred to, was issued prior to March 23, 1912.

As bearing on the question whether applicant will be able to pay interest on the proposed additional obligations, it appears from this Commission's said opinion of December 13, 1913, that applicant submitted a statement of earnings for the year ending June 30, 1913, showing a net profit, after deducting interest on the bonds of applicant's constituent corporations, amounting to \$79,058.18. No depreciation, however, had been charged. Also, no allowance was made for the payment of the sinking fund on the outstanding bonds.

It is assumed that the amount properly chargeable for depreciation would be somewhere in the vicinity of \$50,000.00, but this sum has not been taken as establishing definitely the amount which should be so charged.

The annual payments into sinking fund are as follows:

Coast Counties Light and Power Company-----	\$10,000 00
Big Creek Light and Power Company-----	3,600 00
San Benito Light and Power Company-----	1,500 00

The payment into the sinking fund of the bonds of the San Benito Light and Power Company will commence on June 30, 1915, and must be made annually thereafter.

Applicant testified that it had incurred relatively large expenditures for extensions to the service, that it had now made practically all the extensions which would be necessary for some time in the territory which it serves, and that its financial condition was steadily improving.

Attention should be drawn to the fact that if this proposed issue is authorized, applicant will have added to its capital account subsequent to March 23, 1912, the sum of \$218,959.24, and that its additional obligations will be represented by the proposed debentures of the face value of \$150,000.00, together with a sum somewhat in excess of \$14,000.00, which will have to be taken care of in some other way.

I find that there is a reasonable probability of applicant's ability to pay interest on the proposed debentures. The major portion of the proposed issue will be taken by the present stockholders in the company.

I recommend that the application be granted and submit herewith the following form of order:

#### ORDER.

Coast Counties Gas and Electric Company having applied to the Railroad Commission for an order authorizing the issuance by said company of debentures of the face value of \$150,000.00, said debentures to be payable on January 1, 1924, and to bear interest at the rate of six (6) per cent per annum, payable semiannually, under the provisions of a debenture trust agreement to be dated as of January 1, 1914, between Coast Counties Gas and Electric Company and Mercantile Trust Company, and a public hearing having been held upon said application, and the Commission finding that the moneys to be procured by the issue of said debentures are necessary to and reasonably required by said company to reimburse itself for moneys actually expended from income or from borrowed moneys not secured by or obtained from the issue of stocks or stock certificates or bonds, notes or other evidences of indebtedness of such public utility, within five years next prior to the filing of the application herein, for the acqui-

tion of property and the construction, completion, extension and improvement of its facilities,

*It is hereby ordered* that the Railroad Commission of the State of California hereby authorizes the issue by said Coast Counties Gas and Electric Company of one hundred and fifty thousand (\$150,000.00) dollars, face value, of debentures of said company, bearing numbers 1 to 150, inclusive, payable on January 1, 1924, redeemable at the obligor's option on the first day of January or on the first day of June in any year, at face value, plus one (1) per cent premium and accrued interest, and to bear interest at the rate of six (6) per cent per annum, payable semiannually, under and in pursuance of the terms of a proposed debenture trust agreement to be dated as of January 1, 1914, between Coast Counties Gas and Electric Company and Mercantile Trust Company, as trustee, upon the following conditions and not otherwise, to wit:

1. Coast Counties Gas and Electric Company shall sell said debentures so as to net said company, in cash, not less than ninety-three (93) per cent of the face value of the principal thereof, plus accrued interest.

2. The proceeds from the sale of said debentures shall be used only for the purpose of reimbursing Coast Counties Gas and Electric Company for moneys hitherto actually expended by said company from income or from any other moneys in its treasury not secured by or obtained from the issue of stocks or stock certificates or bonds, notes or other evidences of indebtedness of such public utility, within five years next prior to the filing of the application herein, for the purposes specified in Exhibit "C" attached to the application herein, to which reference is hereby made.

3. Coast Counties Gas and Electric Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the debentures hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission, stating the sale or sales of said debentures during the previous month, the terms and conditions of sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. This order shall not become effective until the fee specified in section 57 of the Public Utilities Act, as amended, has been paid.

5. The authority hereby given to issue debentures shall apply only to debentures issued on or before the 1st day of October, 1914.

*And it is further ordered* that Coast Counties Gas and Electric Company be and the same is hereby authorized to execute the debenture



trust agreement as of January 1, 1914, between itself and Mercantile Trust Company, referring to said debentures and substantially in the form attached to the petition herein and marked "Exhibit D."

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of January, 1914.

---

DECISION No. 1199.

JOHN F. ESCHER

vs.

HARRY R. ATWOOD.

---

Case No. 521.

*Decided January 15, 1914.*

---

*Held*, Complaint of John F. Escher requesting order of Commission compelling defendant to serve him with water, dismissed.

*John F. Escher, in propria persona*, for Complainant.

*C. J. Novotny*, for Defendant.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is a complaint for the delivery of water under conditions similar to those set out in this Commission's opinion in Case No. 505, *Long vs. Atwood*, to which opinion reference is hereby made.

The complainant is the owner of 10-acre lots 4 and G, shown on map of Encanto, filed by Abraham Klauber on May 6, 1893, in the office of the county recorder of San Diego County. These lots are located outside of the boundaries of Encanto Heights, and are not described in the agreement between the Richland Realty Company and the Southern California Mountain Water Company, under the terms of which agreement the defendant is securing water from the city of San Diego, the successor of the Southern California Mountain Water Company. The complainant has never demanded water from either the city of San Diego or the defendant, but desires to be served with water on both of said lots.

For the reasons indicated in the opinion in Case No. 505, the complaint in this case must be dismissed.

If Encanto is annexed to San Diego, as seems probable, the complainant in this case will then have the same opportunity to be served with water from the city of San Diego which will exist in the case of the complainant in Case No. 505.

I submit herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding and the case having been submitted and being now ready for decision, and the Railroad Commission finding that it would not be reasonable to compel the defendant to serve water to the complainant's property, as described in the opinion which precedes this order,

*It is hereby ordered* that the complaint in the above entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of January, 1914.

---

DECISION No. 1200.

IN THE MATTER OF THE APPLICATION OF S. WALDO COLEMAN FOR A CERTIFICATE THAT THE PRESENT AND FUTURE PUBLIC CONVENIENCE AND NECESSITY REQUIRE AND WILL REQUIRE THE CONSTRUCTION AND THE PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF THE RIGHTS AND PRIVILEGES GRANTED TO SAID S. WALDO COLEMAN BY ORDINANCE NO. 130 OF THE COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA.

---

Application No. 905.

*Decided January 15, 1914.*

---

*Held.* Applicant granted a certificate of public convenience and necessity to construct and operate a gas manufacturing and distributing system in certain portions of Contra Costa County.

*J. E. Rodgers, for Applicant.*

**REPORT OF THE COMMISSION.**

THELEN, *Commissioner.*

This is an application under the provisions of section 50 of the Public Utilities Act for a certificate that the present and future public con-

venience and necessity require and will require the construction of a certain contemplated gas system in a portion of the county of Contra Costa, as will hereinafter appear in greater detail, and for a certificate that public convenience and necessity require the exercise of a portion of the rights conferred upon S. Waldo Coleman by Ordinance No. 130 of the county of Contra Costa. At the present time no portion of Contra Costa County except Richmond and the territory immediately contiguous thereto in the extreme western portion of Contra Costa County is being supplied with gas.

Said Ordinance No. 130 was passed by the board of supervisors of Contra Costa County on September 2, 1913. It confers upon S. Waldo Coleman, his successors and assigns, the franchise, right, privilege and permission to lay down, construct, maintain and operate a system for the manufacture and distribution of gas, and all gas pipes, conduits, fixtures, appurtenances and appliances through, under, along and across all the roads and public places in Contra Costa County now outside of incorporated towns, for all purposes for which gas can be used. The foregoing rights and privileges are granted for a period of fifty years, and the ordinance contains the usual provisions of the Broughton Act with reference to the payment of a percentage of the gross annual receipts and to the commencement of work within four months from the granting of the franchise.

Mr. Coleman intends hereafter to organize a public utility corporation for the supply of gas in a portion of Contra Costa County, particularly described in the application. He asks for a certificate of public convenience and necessity covering merely those roads and other public places which are within this territory. Exhibit "B," attached to the petition, shows the route of the proposed gas mains, beginning in Martinez, on the west, thence running southeasterly through Pacheco and Concord, thence running northeasterly and easterly through Pittsburg to Antioch. Mr. Coleman proposes to construct a plant for the manufacture of gas in some central locality, probably Concord, and to serve this entire territory from this plant. He proposes to serve the towns which have been mentioned, together with the territory contiguous thereto and intervening between the towns. He estimates that it will cost about \$120,000.00 to construct the manufacturing plant and distributing system, and that he can easily secure 1,500 customers. He intends hereafter to secure the necessary franchises in the incorporated towns in this territory, and to start actual construction work within six months. He testified that the territory is growing rapidly, and that he expected to be able to supply gas at an initial maximum rate of \$1.40 per thousand cubic feet.

Mr. Coleman further testified that the company which he expected to organize would be entirely independent of any existing company supplying gas, and that he would have no difficulty in financing the proposition.

The testimony shows that the people in this territory desire the service of gas, and that public convenience and necessity will be served by the exercise of the rights and privileges referred to in the order and by the construction of a gas plant and system in accordance therewith.

I recommend that the application be granted and submit herewith the following form of order:

#### ORDER.

S. Waldo Coleman having applied to the Railroad Commission for a certificate declaring that the present and future public convenience and necessity require and will require the construction of a gas plant and system, as hereinafter described, and also the exercise of a portion of the rights and privileges granted to him by Ordinance No. 130 of the county of Contra Costa, adopted on September 2, 1913, and a public hearing having been held upon said application, and the Railroad Commission finding that a certificate should be granted as hereinafter set forth,

*It is further declared that the present and future public convenience and necessity require the exercise of such portion of the rights and privileges granted to S. Waldo Coleman, his successors and assigns, by Ordinance No. 130 of the county of Contra Costa, adopted on September 2, 1913, as are necessary to enable the construction of a gas plant and system for the manufacture and distribution of gas in the general territory commencing with Martinez on the west, thence southeasterly to Pacheco and Concord, thence northeasterly and easterly to Pittsburg and Antioch, including the territory adjacent to said towns of Martinez, Pacheco, Concord, Pittsburg and Antioch; and*

*It is further declared that the present and future public convenience and necessity require and will require such construction as may be necessary in the exercise of said rights and privileges.*

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of January, 1914.

## DECISION No. 1201.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO ESTABLISH CERTAIN RATES FOR TELEPHONE SERVICE AT EAGLE ROCK, LOS ANGELES COUNTY, CALIFORNIA.

---

Application No. 904.

*Decided January 15, 1914.*

---

Application of the Pacific Telephone and Telegraph Company to establish a new schedule of rates in the city of Eagle Rock in lieu of the schedule now in effect, granted.

*James T. Shaw and John G. Mott, for Applicant.*

*Hartley Shaw, City Attorney, for City of Eagle Rock.*

## REPORT OF THE COMMISSION.

THELEN, *Commissioner.*

This is an application for authority to establish certain telephone rates for service to the inhabitants of the city of Eagle Rock, in Los Angeles County, California. The city of Eagle Rock joins in the request that the application be granted.

The Pacific Telephone and Telegraph Company is at present serving the major portion of the inhabitants of Eagle Rock through the Garvanza telephone exchange in the city of Los Angeles. The rates charged are specified in Exhibit "A" attached to the petition in this proceeding. Considerable complaint has arisen from the inhabitants of the city of Eagle Rock by reason of inadequate service. It appears that a considerable portion of this service is so-called "suburban service" with from six to ten subscribers on a line. Recently the city authorities of Eagle Rock drew the attention of The Pacific Telephone and Telegraph Company to the fact that they were making extensions within the city limits without a franchise. The telephone company thereupon applied for a franchise, which was granted by the city of Eagle Rock. On December 27, 1913, in Application No. 882, this Commission made its order authorizing the exercise of the rights and privileges granted by said franchise. At the time the franchise matter was pending before the trustees of the city of Eagle Rock, the matter of an improvement of the service was also discussed. The telephone company took the position that the logical solution of the difficulty was the estab-

lishment of a separate telephone exchange in the city of Eagle Rock, with toll line connections to the city of Los Angeles. The people of Eagle Rock, however, seem to have objected to such an arrangement, and to have insisted on a direct connection into a telephone exchange in the city of Los Angeles. The present application embodies the result of a compromise as to service and rates between the telephone company and the city authorities of Eagle Rock.

The rates which the telephone company proposes to establish are indicated in Exhibit "B," which is attached to the petition and reads in part as follows:

BUSINESS SERVICE.		
	Wall set	Desk set
Individual line, unlimited service-----	\$6 25	\$6 75
Two-party line, unlimited service-----	4 50	5 00
Four-party line, unlimited service-----	3 50	4 00
RESIDENCE SERVICE.		
Individual line, unlimited service-----	\$3 50	\$3 75
Two-party line, unlimited service-----	2 75	3 00
Four-party line, unlimited service-----	2 00	2 25

No suburban service is to be allowed. Further details concerning the proposed service will be found in said Exhibit "B."

At the present time telephone subscribers in Eagle Rock pay Los Angeles exchange rates plus mileage. The proposed rates have been worked out on the basis of the Los Angeles exchange rates plus an average mileage of one half mile for the entire city of Eagle Rock. Testimony was taken with reference to each class of subscribers now receiving service in the city of Eagle Rock, and it appeared that the rates which it is proposed to establish are nearly in each instance somewhat lower than the existing rates. The most important change is to be the elimination of the so-called "suburban service" under which from six to ten parties are on a single line. If customers now taking a suburban residence service choose a four-party unlimited service, their rate will be 50 cents per month less.

Attention was drawn at the hearing to the fact that some eight or nine subscribers living in the city of Eagle Rock are now being served through the Glendale exchange and that their rates are materially less than the rates which it is proposed to establish for the city of Eagle Rock. The Glendale exchange subscribers are allowed a certain number of free calls each month to Los Angeles, but must pay 2 cents each for calls in excess of the number thus allowed. The following table shows a comparison of the present Glendale rates with the proposed

rates to apply to the city of Eagle Rock, together with the amount of increase or decrease in each case:

	Present Glendale rates	Proposed Eagle Rock- Los Angeles rates	Amount increase
Business—			
One-party -----	\$3 00	\$6 25	\$3 25
Two-party -----	2 50	4 50	2 00
Four-party -----		3 50	
Suburban -----	2 50		1 00
Residence—			
One-party -----	\$2 00	\$3 50	\$1 50
Two-party -----	1 50	2 75	1 25
Four-party -----		2 00	
Suburban -----	2 50		(0 50)

Encircled figures indicate reductions.

The following table shows the number of free calls allowed to Glendale exchange subscribers, the rate for excess calls, the excess in the proposed Eagle Rock-Los Angeles rate over the present Glendale rate, the number of Los Angeles calls at 2 cents each which could be had for this excess in the rate, and the per cent of such additional excess calls over the number now allowed:

	Number calls allowed	Rate for excess calls	Amount increase	Number of excess calls	Per cent
Business—					
One-party -----	60	2 cents each	\$3 25	162	270
Two-party -----	50	2 cents each	2 00	100	200
Four-party -----		2 cents each	1 00	50	100
Suburban -----	50	2 cents each			
Residence—					
One-party -----	60	2 cents each	\$1 50	75	125
Two-party -----	50	2 cents each	1 25	62	1,125
Four-party -----		2 cents each	(0 50)		
Suburban -----	50	2 cents each			

Encircled figures indicate reductions.

It thus appears that the rates enjoyed by the Glendale Exchange subscribers are materially less than those which will be accorded to city of Eagle Rock subscribers other than those now being served through the Glendale exchange. If a local exchange were established in the city of Eagle Rock, it is reasonable to assume that the Glendale exchange rates would be used as one basis of comparison. However, as the people of Eagle Rock insist on a direct connection with the city of Los Angeles, even at a higher rate than is enjoyed by those of its inhabitants who are connected with the Glendale exchange and at a higher rate than would probably obtain if the city had its own exchange,

and as the inhabitants of Eagle Rock seem willing to pay this higher rate, I am not disposed to refuse the request.

The telephone company contends that the eight or nine city of Eagle Rock customers who are at present being served through the Glendale exchange live adjacent to the city of Glendale, and that for that reason the company can reasonably connect them with the Glendale exchange and make a difference between these customers and other customers living in the city of Eagle Rock who are not located near the city of Glendale. The company has offered to permit these eight or nine customers to continue their service through the Glendale exchange at the Glendale exchange rates. For the present I see no reasonable objection to continuing this plan, although, if the citizens of Eagle Rock hereafter should claim that they would have material advantages from being connected through the Glendale exchange and receiving the same rates which are accorded to these eight or nine subscribers, it may become necessary to reopen the entire matter.

It must be clearly understood that the Commission reserves the right to re-examine at any time the adjustment which the telephone company now asks authority to make, and that the decision in this proceeding is not to be used as a precedent in any other proceeding.

With this understanding, I recommend that the application be granted and submit herewith the following form of order:

#### ORDER.

The Pacific Telephone and Telegraph Company having applied to the Railroad Commission for authority to establish for its customers in the city of Eagle Rock, other than the present subscribers now served through the Glendale exchange, the schedule of rates which is attached to the petition herein and marked Exhibit "B," and a public hearing having been held upon said application, and the city authorities of Eagle Rock having joined in the request that said application be granted, and no one having appeared in opposition thereto, and the proposed adjustment being understood to be temporary and to be subject to revision at any time hereafter,

*It is ordered* that said application be and the same is hereby granted, and that applicant may file its proposed rates with the Railroad Commission, to become effective upon one day notice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of January, 1914.



## DECISION No. 1202.

LUCY BOSHIER LONG

vs.

HARRY R. ATWOOD.

Case No. 505.

*Decided January 15, 1914.*

Complainant requests the Commission to compel defendant to serve her property, adjacent to Encanto Heights, San Diego County, with water.

*Held*, Defendant's supply of water being only sufficient to serve the territory of Encanto Heights, complaint dismissed.

*Lucy Boshier Long, in propria persona, and D. F. Glidden, for Complainant.*

*C. J. Novotny, for Defendant.*

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is a complaint to compel the defendant, a water utility doing business under the name of Encanto Mutual Water Company, to serve the complainant with water. The defendant claims that the complainant's land is located outside of the territory which the defendant has held himself out as willing to serve, and also that his available water supply is not sufficient to serve any additional land outside of Encanto Heights.

The hearing in this case was held in San Diego on December 29, 1913. The complainant is the owner of ten-acre lot K, in the tract of land shown on a map called "Map of Encanto," which map was filed in the recorder's office of San Diego County, California, on May 6, 1893, by Abraham Klauber. The land shown on this map is a portion of lot 13, on the tract of land known as Rancho Mission. A frame house was built on this property in 1894 or 1895. The complainant lived there for about five years, and thereafter had certain tenants, but the place has been uninhabited since 1907. Water was formerly hauled from a well. No water has ever been supplied to this property by the defendant or from the source from which the defendant secures his water, as will hereinafter appear in greater detail.

The defendant secures his water from a main pipe line leading from the lower Otay reservoir to the city of San Diego, which pipe line, together with the reservoirs and appurtenances, were constructed by the Southern California Mountain Water Company but later sold by that company to the city of San Diego, which city now operates the

system. The complainant testified that she had made demand for water on the Southern California Mountain Water Company, the city of San Diego and the defendant, in turn, but that she had been refused by each.

Prior to June 16, 1907, the Richland Realty Company acquired the unsold portions of the property shown on the map of Encanto. The individuals who owned this company thereupon made a resurvey of the lands which they had acquired, and on June 16, 1907, filed in the office of the county recorder of San Diego a map showing such resubdivision, and designated as a map of Encanto Heights. The same persons thereafter formed the Encanto Heights Mutual Water Company, for the purpose of supplying water to the lands included in the subdivision. At some time prior to August, 1911, the Richland Realty Company made arrangements to secure water for this tract from the Southern California Mountain Water Company. There is in evidence in this case a contract between the Richland Realty Company and the Southern California Mountain Water Company, dated August 5, 1911, under which contract the Southern California Mountain Water Company agreed to supply to the Richland Realty Company for use on the land described in the contract, an amount of water not to exceed four million gallons per month. The term of this contract was one year. While the contract has not formally been renewed, the city of San Diego and the defendant are still acting under its terms. On November 1, 1912, the defendant bought the existing water system, at that time owned by the Encanto Heights Mutual Water Company. He has operated this system ever since and has conducted business under his own name and at times under the name of Encanto Mutual Water Company.

The main issues in this case are (1) is the complainant's land within the territory which the defendant has held himself out as undertaking to serve, and (2) if not, should this Commission nevertheless, under chapter 80 of the Laws of 1913, compel the defendant to extend his service to complainant's property.

I have already referred to the map of Encanto, filed May 6, 1893, by Abraham Klauber, showing complainant's property as lot K. The map of Encanto Heights, filed June 16, 1907, showed only the unsold portions of this track and omitted lot K and a large portion of the other property shown on the map of Encanto. The Encanto Heights Mutual Water Company, to which reference has heretofore been made, was incorporated on January 27, 1908, and, as its name indicates, was to be a mutual water company. The articles themselves state that the water represented by the stock is to be located and made appurtenant under the provisions to be made in the by-laws and under reasonable rules and regulations "to specific lands within the limits of that certain

tract of land situate in the county of San Diego, State of California, and known as Encanto Heights, according to the official map thereof on file in the recorder's office of San Diego County." The map thus referred to is the map of Encanto Heights in which complainant's property is not included. The Encanto Heights Mutual Water Company proceeded to supply water to portions of Encanto Heights, and, in addition thereto, five taps were permitted on the east and west boundary of Encanto Heights to serve territory lying outside of Encanto Heights. In each of these cases the pipe lines outside of Encanto Heights were constructed and are owned by the parties desiring the service of water. A total of some thirty persons are served in this manner. The contract between the Richland Realty Company and the Southern California Mountain Water Company, to which reference has hereinbefore been made, specifically described the property on which the water to be secured from the Southern California Mountain Water Company was to be used, and very naturally referred only to the property of the Richland Realty Company. The complainant's property is not included in the description of the lands on which this water might be used. The defendant, after he acquired the Encanto Heights Mutual Water Company's system in November, 1912, has refused to serve any new customers outside of Encanto Heights, but has continued to serve from the five taps to which reference has hereinbefore been made. He stated that he held himself out as serving only Encanto Heights and that the five taps which were used by his predecessors for the service of territory outside of Encanto Heights are not to be regarded as obligating him to serve additional customers outside of Encanto Heights. He pointed out that if he were obligated to serve the complainant's property a similar obligation might be held to arise with reference to large acreages of additional property lying outside of Encanto Heights and not supplied with water.

Section 5 of chapter 80 of the Laws of 1913, approved April 25, 1913, reads as follows:

"Whenever the railroad commission, after a hearing had upon its own motion or upon complaint, shall find that any water company which is a public utility operating within this state has reached the limit of its capacity to supply water and that no further customers of water can be supplied from the system of such utility without injuriously withdrawing the supply wholly or in part from those who have theretofore been supplied by such corporation, the railroad commission may order and require that no such corporation shall furnish water to any new or additional consumers until such order is vacated or modified by the said commission. The commission shall likewise have the power after hearing upon its own motion or upon complaint, to require any such water company to allow additional consumers to be served when it shall appear that to supply such additional consumers

will not injuriously withdraw the supply wholly or in part from those who theretofore have been supplied by such public utility."

Under this section it now becomes necessary to examine into the amount of water which is available to defendant and to the extent to which this water has heretofore been used to supply his customers.

As hereinbefore stated, the maximum amount of water stated in the contract between the Richland Realty Company and the Southern California Mountain Water Company is 4,000,000 gallons per month. The water department of the city of San Diego is unwilling to permit Mr. Atwood to take regularly more than this amount of water. A statement filed by the defendant shows that he has taken from the city of San Diego's mains the following amounts of water since the purchase by the city from the Southern California Mountain Water Company:

1913	Gallons of water
February .....	892,440
March .....	999,937
April .....	2,462,377
May .....	3,719,303
June .....	2,979,127
July .....	4,038,357
August .....	3,150,420
September .....	3,128,500
October .....	2,878,250
November .....	1,290,000

The complainant has filed in this case an affidavit to which is attached a copy of a statement supplied to her by the water department of the city of San Diego with reference to the amount of water supplied by the city of San Diego to Atwood through meters Nos. 1, 3 and 4, during the period between January 31st and December 15, 1913. The following table shows a consolidation of the readings of these three meters in cubic feet and also reduced to gallons on the basis of 7.48 gallons to one cubic foot:

	Cubic feet	Gallons
January 31 to February 15, 1913.....	55,400	414,400
February 15 to March 15, 1913.....	100,600	752,500
March 15 to April 15, 1913.....	315,200	2,357,700
April 15 to May 15, 1913.....	483,100	3,613,600
May 15 to June 15, 1913.....	425,500	3,182,700
June 15 to July 15, 1913.....	388,600	2,906,700
July 15 to August 15, 1913.....	362,500	2,711,500
August 15 to September 15, 1913.....	401,100	3,000,200
September 15 to October 15, 1913.....	385,200	2,881,300
October 15 to November 15, 1913.....	393,600	2,944,100
November 15 to December 15, 1913.....	194,400	1,454,100
<b>Total .....</b>	<b>3,505,200</b>	<b>26,218,800</b>

It will be noted that the statement submitted by Mr. Atwood is for calendar months, while the statement prepared by the water department covers in general the period between the fifteenth day of one month and the fifteenth day of the succeeding month. It would appear that there are discrepancies between the two statements, even bearing in mind the fact of the different periods of time which they cover. It is unnecessary, however, to go into the matter of these discrepancies. It sufficiently appears from both statements that during the last year there have been a number of thirty-day periods in which the water consumed by Mr. Atwood's customers has been in excess of 3,000,000 gallons. The statement prepared by the water department of the city shows that during the period between April 15th and May 15th, 3,613,600 gallons were supplied by the city of San Diego to the Encanto Mutual Water Company, while the statement submitted by Mr. Atwood shows that during several calendar months the amount of water received by his company was in excess of 3,000,000 gallons per month, while during one month his statement shows an amount in excess of 4,000,000 gallons.

The testimony shows that the defendant has at present some 260 live taps, that some forty additional houses were constructed in Encanto Heights during the last year, and that there is reasonable probability of further growth. In view of these facts it is evident that the demand of Encanto Heights, which defendant is clearly obligated to serve to the extent of his capacity, will soon tax the defendant to the utmost under the amount of water which has been allotted to him by the city of San Diego. In view of this situation, I find that it will be unreasonable to demand that he shall extend his service to further property lying outside of Encanto Heights. If he were compelled to do so people owning property in Encanto Heights, which district he has undertaken to serve, and intending to build there, would soon find themselves unable to secure water because of the demands of new customers living outside of Encanto Heights, while during certain months of the year the existing customers in Encanto Heights would find the supply of water to which they are entitled cut down by reason of the demand of these new outside customers. For these reasons I am of the opinion that this complaint should be dismissed.

Within a day or so after the submission of this case complainant filed an application for rehearing. As an application for rehearing, under the provisions of section 66 of the Public Utilities Act, can be entertained only after the decision in the case, it is clear that this application was prematurely filed and that it is not necessary for the Commission to take any action thereon.

A movement is now on foot for annexing all of Encanto, including complainant's property, to the city of San Diego and there seems a reasonable probability that this proposition will carry. In that event, the city of San Diego would be under the same obligation to serve water, at least for domestic purposes, to the people who inhabit this territory as it is to other inhabitants within the city limits. Such a course seems to be the ultimate solution of complainant's difficulty.

I submit herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding, and the case having been submitted and being now ready for decision, and the Commission finding that it would be unreasonable to compel the defendant to serve the complainant with water for her property known as lot K, as shown on the map of Encanto filed in the office of the county recorder of San Diego County on May 6, 1893,

*It is hereby ordered* that the complaint in the above entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of January, 1914.

---

Decision No. 1203, grade crossing; not printed. See end of volume.

**DECISION No. 1204.**

**IN THE MATTER OF THE APPLICATION OF HOME TELEPHONE AND TELEGRAPH COMPANY OF SANTA BARBARA FOR AUTHORITY TO ISSUE PROMISSORY NOTES.**

---

**Application No. 874.**

*Decided January 16, 1914.*

---

Applicant authorized to issue three notes in the aggregate amount of \$20,000.00, said notes to be issued in renewal of notes of a like amount now outstanding.

*E. A. Gilbert, for Applicant.*

**REPORT OF THE COMMISSION.**

**GORDON, Commissioner.**

Home Telephone and Telegraph Company of Santa Barbara operates a local exchange telephone system in the city of Santa Barbara, Santa Barbara County, and in suburban territory within a radius of approxi-

mately twenty miles. It controls, by stock ownership, Home Telephone and Telegraph Company of Santa Barbara County, which operates exchanges in Santa Maria, Los Olivos, Santa Ynez, Los Alamos, Guadalupe and Lompoc, all in Santa Barbara County, and toll lines connecting these exchanges and connecting also with the exchange in the city of Santa Barbara. Applicant is in competition in the city of Santa Barbara and in certain other points with The Pacific Telephone and Telegraph Company.

This company was organized in 1903, and was one of a number established in California some ten years ago to operate independent telephone plants. It now applies to this Commission for authority to refund promissory notes in the sum of \$20,000.00.

Home Telephone and Telegraph Company of Santa Barbara has an authorized stock issue of \$300,000.00, consisting of 3,000 shares of the par value of \$100.00 per share, of which it has issued 2,200 shares of the par value of \$100.00, or a total of \$220,000.00.

Applicant has an authorized issue of first mortgage bonds dated January 2, 1904. These bonds run for thirty years, with an interest rate of 5 per cent. Bonds have been issued to the full amount of \$200,000.00. In its statement submitted in connection with this case, applicant lists its note indebtedness in the sum of \$20,000.00 and accounts payable in the sum of \$2,350.87, making its entire indebtedness \$222,350.87.

Home Telephone and Telegraph Company of Santa Barbara County, which the applicant herein controls through stock ownership, has an authorized issue of 2,000 shares of stock of the par value of \$100.00, all of which has been issued and all of which, with the exception of qualifying directors' shares, is owned by Home Telephone and Telegraph Company of Santa Barbara.

Home Telephone and Telegraph Company of Santa Barbara County has an authorized bond issue of \$200,000.00, of which \$150,000.00 is outstanding. It has a note indebtedness in the sum of \$15,000.00 secured by the pledge of \$27,000.00 of its bonds.

Home Telephone and Telegraph Company of Santa Barbara asks for authority to refund the following notes:

Note dated January 2, 1913, to First National Bank of Santa Maria, due in one year, interest at 6 per cent.....	\$5,000 00
Note dated January 2, 1913, to Bank of Santa Maria, due in one year, interest at 6 per cent.....	5,000 00
Note dated June 17, 1911, to the Commercial Bank of Santa Barbara, payable on demand, interest at 6 per cent.....	10,000 00
Total .....	\$20,000 00

Applicant now asks for authority to renew these notes without change, excepting that the interest rate on the note to the Bank of Santa Maria is to be increased from 6 per cent to 7 per cent.

In submitting its statement of earnings, applicant makes the explanation that Home Telephone and Telegraph Company of Santa Barbara County is operated under an agreement by which Home Telephone and Telegraph Company of Santa Barbara pays all the necessary expenses, including taxes and bond interest, and receives in return 50 per cent of the net earnings. For the year ending December 31, 1912, this 50 per cent of net earnings of Home Telephone and Telegraph Company of Santa Barbara County amounted to \$2,437.84.

The earnings statement of Home Telephone and Telegraph Company of Santa Barbara, for the year ending December 31, 1912, is presented as follows:

Operating revenues -----	\$103,036 60
Operating expenses -----	57,279 18
Net earnings -----	\$45,757 44
Other income -----	369 01
Total all revenues -----	\$46,126 45
Interest -----	28,978 89
Balance -----	\$17,147 56
For the same period, Home Telephone and Telegraph Company of Santa Barbara County presented a statement of net earnings in the sum of -----	\$2,236 60
These statements show a combined net income for the two companies of -----	\$19,384 16
For the year ending December 31, 1913, applicant figures that its net earnings will amount to -----	\$9,927 22

On behalf of the applicant, it is stated that the earnings for 1912 are made to appear somewhat larger than they actually were by reason of an adjustment in its books to make its fiscal year accord with the calendar year, as required by this Commission. The figures for 1913 may, therefore, be taken as more nearly representing applicant's earning power. The earnings of the Home Telephone and Telegraph Company of Santa Barbara County for the calendar year 1913, with December estimated, are placed at \$423.30. The combined net income of the two companies is, therefore, placed at \$10,350.52 for the calendar year 1913.

Applicant has paid no dividends within the past five years. It has not maintained a depreciation reserve and has carried its net income to surplus. In its annual report for the year ending December 31, 1912, applicant places this surplus at \$77,931.33. I am inclined to think, however, that this is not a true surplus, by reason of applicant's failure to charge a proper depreciation reserve.

The detailed data necessary to a physical valuation and prerequisite to a determination of a proper depreciation charge have not been sub-



mitted in connection with the present application; nor do I deem it necessary that such a detailed appraisal be presented for the purposes of the present application. I am convinced, however, that applicant will find the compilation of such data to its own advantage, and I suggest that it proceed forthwith, through its own organization, to prepare a full inventory of its properties.

For the present, I recommend that applicant charge off for depreciation such sums as may be available and that as soon as it has completed its inventory and made a detailed examination of its plant it proceed to establish a proper annual depreciation.

I suggest, further, that it confer with this Commission in working out a suitable annual depreciation charge.

I recommend the application be granted and submit the following form of order:

**ORDER.**

Home Telephone and Telegraph Company of Santa Barbara having applied to this Commission for authority to refund notes, as set forth in the preceding opinion herein, and a hearing having been held, and it appearing that the money derived from the issue of said notes was used for additions and betterments to applicant's plant, and that the purposes for which said moneys were used were not, therefore, in whole or in part, chargeable to operating expenses or to income,

*It is hereby ordered* that Home Telephone and Telegraph Company of Santa Barbara be given authority, and it is hereby given authority, to issue its promissory notes as follows:

Note for one year to First National Bank of Santa Maria, interest at 6 per cent per annum, \$5,000.00.

Note to Bank of Santa Maria, payable in one year, 7 per cent interest per annum, \$5,000.00.

Note to The Commercial Bank of Santa Barbara, payable on demand, interest at 6 per cent per annum, \$10,000.00.

Said notes may be issued upon the following conditions and not otherwise:

(1) Said notes shall be given to refund notes in like amounts to the same banks, as indicated in the opinion herein.

(2) The authority herein given to issue said notes shall apply to such notes as may be issued on or before March 1, 1914.

(3) Home Telephone and Telegraph Company of Santa Barbara shall file with this Commission, within thirty days after the notes herein authorized have been issued, a statement setting forth the notes issued under the authority herein granted.

(4) This order shall not be effective, in so far as it authorizes an issue of notes, until applicant shall first have paid the fee prescribed by section 57 of the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of January, 1914.

---

DECISION No. 1205.

IN THE MATTER OF THE APPLICATION OF J. R. ANDERSON  
TO SELL A GAS PLANT AND DISTRIBUTING SYSTEM IN  
THE CITY OF OAKDALE; AND OF OAKDALE GAS COM-  
PANY TO PURCHASE THE SAME, TO MORTGAGE ITS  
PROPERTY AND TO ISSUE STOCKS AND BONDS.

---

Application No. 829.

*Decided January 16, 1914.*

---

*Held, J. R. Anderson authorized to sell to the Oakdale Gas Company a certain gas generating and distributing system in the city of Oakdale; Oakdale Gas Company authorized to issue bonds of the face value of \$25,000.00 and stock of the par value of \$15,000.00 in payment therefor. Issue of bonds conditioned upon the approval by Commission of applicant's trust deed as amended.*

*J. R. Anderson, for Applicant.*

---

REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

Mr. J. R. Anderson, applicant herein, has constructed a gas plant and distributing system in the city of Oakdale and now proposes to sell this property to the Oakdale Gas Company. Oakdale Gas Company, applicant herein, was incorporated on July 23, 1913. It asks for authority to purchase the gas plant properties from Mr. J. R. Anderson, to mortgage these properties, and to issue to Mr. Anderson its stocks and bonds for the system thus acquired. Mr. Anderson and Oakdale Gas Company join in the application and ask that authority be granted by which Oakdale Gas Company may issue to said Anderson \$30,000.00 of its bonds and \$42,000.00 of its stock. In addition, Oakdale Gas Company is to assume accounts payable to the amount of \$960.41.

The gas plant in question is now in active operation and was serving 135 consumers at the time the application herein was filed. It was completed in the summer of 1913.

In the application Mr. Anderson estimates the cash value of the plant to be \$45,000.00 and the construction cost \$38,540.62. The construction investment as shown by the books is \$38,267.34, but in this total have been included an appreciation of land value, an extra profit on machinery and the cost of appliances in the sum of \$3,843.25, leaving as the cost of the plant proper, the sum of \$34,424.09.

Oakdale Gas Company was incorporated on July 23, 1913, with an authorized capital stock of \$75,000.00, divided into 75,000 shares of the par value of \$1.00 per share.

Oakdale Gas Company has an authorized bond issue of \$50,000.00, consisting of bonds in the denomination of \$500.00, dated October 1, 1913, and maturing October 1, 1938, carrying 6 per cent interest. No bonds have been issued.

I see no reason why Mr. Anderson should not be authorized to sell and Oakdale Gas Company authorized to purchase this plant. A corporation can operate a utility of this sort to better advantage than can an individual. I recommend, therefore, that this portion of the application be granted.

I also recommend that Oakdale Gas Company be given authority to mortgage its property for the purpose of issuing these bonds. I am not able, however, to concur in the view of the applicants that it should give in the purchase of these gas properties \$30,000.00 of its bonds and 42,000 shares of its capital stock. I recommend as a more reasonable basis of exchange that Oakdale Gas Company be authorized to issue \$25,000.00 of its bonds and \$15,000.00 of its capital stock.

I am not able at this time to approve the trust deed under which applicant proposes to issue its bonds. This deed of trust from applicant to Security Trust and Savings Bank of Los Angeles provides for a sinking fund amounting to 5 per cent of outstanding bonds annually, beginning in 1918, and for the retirement of bonds for sinking fund purposes at 103 per cent of their par value. I believe this sinking fund unduly heavy, both in its annual requirement and in the price that must be paid for the bonds. I suggest that applicant modify these provisions and submit its amended trust deed to this Commission for approval. The authority to issue the bonds will be necessarily conditioned upon the subsequent approval by the Commission of the amended trust deed.

I submit the following form of order:

#### ORDER.

J. R. Anderson having applied to this Commission for authority to sell a gas plant and distributing system in the city of Oakdale, and Oakdale Gas Company having applied to this Commission for authority to purchase the same, and Oakdale Gas Company having applied to this

Commission further to mortgage its property and to issue \$30,000.00 of its first mortgage 6 per cent 25-year bonds and 42,000 shares of capital stock of the par value of \$1.00 per share to said J. R. Anderson in payment for said gas properties, and a hearing having been held,

*It is hereby ordered* that J. R. Anderson be given authority to sell his gas plant and distributing system in the city of Oakdale to Oakdale Gas Company; and

*It is further ordered* that Oakdale Gas Company be given authority to mortgage its property.

It appearing further that the purposes for which Oakdale Gas Company proposes to issue its stock and bonds are not reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Oakdale Gas Company be given authority to issue \$25,000.00 of its first mortgage 6 per cent 25-year bonds and \$15,000.00 of its capital stock of the par value of \$1.00 per share, said bonds and said stock to be issued upon the following conditions and not otherwise:

1. Said bonds and said stock shall be issued to Mr. J. R. Anderson in exchange for a valid title to the properties comprised in the gas plant and distributing system in the city of Oakdale heretofore referred to and described in Exhibit "D" in the application herein to which reference is hereby made.

2. Said bonds shall be issued only after this Commission shall have, by formal order, approved the mortgage or deed of trust securing said bonds.

3. Oakdale Gas Company shall report to this Commission the completion of the transaction herein authorized, and the issuance of its stocks and bonds herein authorized, within thirty days after said transaction shall have been completed and said stocks and bonds issued.

4. The authority herein given to issue said stocks and said bonds shall apply to such stocks and such bonds as shall have been issued on or before June 30, 1914.

5. The authority herein given is conditioned upon the payment by Oakdale Gas Company of such fees as may be required under the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of January, 1914.

## DECISION No. 1206.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES), AND THE MODESTO AND EMPIRE TRACTION COMPANY FOR AUTHORITY TO INCREASE THE RATES FOR THE TRANSPORTATION OF LIVE STOCK IN CARLOADS BETWEEN MODESTO AND SAN FRANCISCO, OAKLAND AND STOCKTON VIA THE LINES OF THE APPLICANTS.

---

Application No. 914.

*Decided January 16, 1914.*

---

Applicants request permission to establish a commodity rate on cattle between Modesto and Stockton, Oakland and San Francisco, said rates constituting an increase over the class rates now in effect.

*Held*, Applicant's showing that the omission of a commodity rate on cattle between these points was due to inadvertence, and no protest being made by shippers, application granted.

*P. P. Hastings*, for Atchison, Topeka and Santa Fe Railway Company and Modesto and Empire Traction Company.

*G. D. Squires*, for Southern Pacific Company.

*R. A. Cahalon*, for Wm. Taafe & Company.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application, under section 63 of the Public Utilities Act, for an order granting authority to increase the joint rates charged and maintained for the transportation of live stock, carloads, between Modesto and San Francisco, Oakland and Stockton via the lines of the Modesto and Empire Traction Company, and the Atchison, Topeka and Santa Fe Railway, Coast Lines. The present rates on this traffic are class rates and the applicants desire to establish specific commodity rates thereon, higher than such class rates.

The joint rates maintained between points on the lines of the Modesto and Empire Traction Company and points on the line of the Atchison, Topeka and Santa Fe Railway, Coast Lines, were established in compliance with an order of this Commission in Case No. 235, *Modesto and Empire Traction Company vs. Atchison, Topeka and Santa Fe Railway Company*, and the applicants allege that in complying with the order of the Commission in publishing the rates found to be just and reason-

able by it, they had inadvertently failed to publish specific rates on live stock, in carloads, and thereby remove the application of the class rates on this traffic, which would have been permissible, for the reason that this Commission in Case No. 225, *E. J. McCullough vs. Southern Pacific Company*, held that the specific publication of commodity rates on live stock, in carloads, removed the application of the class rates thereon regardless of the alternate provisions of Rule 7-A of the Commission's tariff circular, for the reason that the provisions of the exception sheet, governing this traffic, providing Class "B" rating on live stock when commodity rates were not otherwise provided, had the effect of making the commodity rates, when published, the only rates on live stock, and that therefore there could be no alternate application of class or commodity rates on this traffic.

The applicants also allege that the fact that the local live stock rates of the Southern Pacific Company from Modesto to San Francisco, Oakland and Stockton, and the local live stock rates of the Atchison, Topeka and Santa Fe Railway, Coast Lines, from Empire to San Francisco, Oakland and Stockton are higher than the joint rates on live stock from Modesto to San Francisco, Oakland and Stockton, via Empire, indicates conclusively that it was through inadvertence that joint rates as high, at least, as the local rates of the Southern Pacific Company from Modesto and the Atchison, Topeka and Santa Fe Railway, Coast Lines, from Empire to San Francisco, Oakland and Stockton were not established. The present rates, the applicants allege, bring about a violation of long and short haul provision of the Constitution and the Public Utilities Act, in that a lower charge is made for the transportation of live stock from Modesto, through Empire, to San Francisco, Oakland and Stockton, than is made for the transportation of live stock, in carloads, from Empire to the same points of destination, which was not contemplated or desired.

While the statements of the applicants appear to be correct, in the main, the fact should not be overlooked that the Commission in Case No. 235, *Modesto and Empire Traction Company vs. The Atchison, Topeka and Santa Fe Railway*, in providing a basis for joint carload rates between points on the Modesto and Empire Traction Company and the Atchison, Topeka and Santa Fe Railway, Coast Lines, limited such rates to a sum equal to 75 per cent of the local rates of the Atchison, Topeka and Santa Fe Railway, Coast Lines, from Empire to the point involved, plus the local rate of the Modesto and Empire Traction Company, and while this basis, if employed, to make the rates on live stock from Modesto to San Francisco, Oakland and Stockton would have brought about higher rates than the present rates applying on such

traffic, it would not have resulted in rates equal to the local rates of the Southern Pacific Company on this traffic from Modesto or the local rates of the Atchison, Topeka and Santa Fe Railway, Coast Lines, on this traffic from Empire to San Francisco, Oakland and Stockton. However, the rates on live stock from Modesto to San Francisco, Oakland and Stockton, via Empire, were not specially before the Commission in Case No. 235, *Modesto and Empire Traction Company vs. Atchison, Topeka and Santa Fe Railway, Coast Lines*, the principal traffic under consideration being merchandise and such other traffic, as generally moves under class rates, and from the fact that the effect of the order would have been to reduce the local rates of the Atchison, Topeka and Santa Fe Railway, Coast Lines, on live stock, in carloads, from Empire to San Francisco, Oakland and Stockton, which were not involved in the proceeding, I conclude that the order was not meant to apply to live stock.

The applicants, as a further justification for the increase in rates, contend that inasmuch as the Atchison, Topeka and Santa Fe Railway, Coast Lines, is required to furnish all the empty equipment for joint shipments from Modesto, which is transported empty from Empire to Modesto for loading with the out-bound joint shipments, and being a two-line movement, that the service is more expensive than in the case of the local haul from Empire to San Francisco, Oakland and Stockton and that applicants are entitled to a rate at least as great as the local rate from Empire to San Francisco, Oakland and Stockton, which has not been found to be unreasonable, to which some merit must be attached.

Although notice of the hearing of this application was given wide distribution and sent directly to the shippers of live stock in the territory involved, no protests were received as to the proposed increases and but one shipper of live stock was represented at the hearing, from which I conclude that there is no substantial objection to the change proposed by the applicants.

In view of all of these facts I am of the opinion that the application of the carrier should be granted on the showing that it was through inadvertence that special commodity rates were not published on live stock between Modesto and San Francisco, Oakland and Stockton at the time the other joint rates were published, and in consideration of the facts that the Commission did not have specially before it the rates on live stock when it entered its order in Case No. 235, *Modesto and Empire Traction Company vs. The Atchison, Topeka and Santa Fe Railway, Coast Lines*, and that the local rates of the Southern Pacific Company on live stock from Modesto and the local rates of the Atchison, Topeka

and Santa Fe Railway, Coast Lines, from Empire to San Francisco, Oakland and Stockton are in excess of the present joint rates maintained by the applicants; the final determination of the question of the reasonableness of these charges to be reserved until such a time as the rates are questioned by interested parties, or the Commission on its own motion institutes an investigation thereinto.

I, therefore, submit the following form of order:

#### ORDER.

Application having been made by the Atchison, Topeka and Santa Fe Railway, Coast Lines, and the Modesto and Empire Traction Company for authority, under the provisions of section 63 of the Public Utilities Act, to increase the joint rates on live stock, carloads, between Modesto and San Francisco, Oakland and Stockton, applying via said lines and a hearing thereon having been held and it appearing that the application should be granted for the reasons in opinion hereinbefore stated,

*It is therefore ordered* that the Atchison, Topeka and Santa Fe Railway, Coast Lines, and the Modesto and Empire Traction Company, be and they are hereby authorized to increase the present rates for the transportation of live stock in cars thirty feet in length and establish the following rates:

Between Modesto and—	RATES PER THIRTY-FOOT CAR		
	Horses, mules, burros	Cattle	Sheep, hogs, goats
San Francisco -----	\$26 50	\$28 50	\$23 50
Oakland -----	\$26 00	\$26 00	\$21 00
Stockton -----	\$12 00	\$12 00	\$10 00

*And it is further ordered* that said rates be made effective twenty days after filing tariffs containing same.

The Commission does not hereby approve the rates established under the authority of this order, reserving its decision as to the reasonableness of the rates for future determination.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of January, 1914.



## DECISION No. 1207.

H. F. SEILER, AS PRESIDENT OF THE DOWNTOWN ASSOCIATION, EDWIN STEARNE, AS SECRETARY OF THE DOWNTOWN ASSOCIATION, AND LOUIS ABER ET AL.

vs.

SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS.

---

Case No. 506.

*Decided January 17, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER DISMISSING COMPLAINT.

The complainants in this proceeding having, on January 15, 1914, made written request to this Commission that the complaint in this proceeding be dismissed,

*It is hereby ordered* that the complaint in this proceeding be, and the same hereby is, dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 17th day of January, 1914.

---

Decisions Nos. 1208 and 1209, grade crossings; not printed. See end of volume.

## DECISION No. 1210.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO, NAPA AND CALISTOGA RAILWAY COMPANY FOR AUTHORITY TO ISSUE BONDS OF THE FACE VALUE OF THIRTY-THREE THOUSAND DOLLARS.

---

Application No. 899.

*Decided January 17, 1914.*

---

*Held*, Applicant authorized to issue bonds of the face value of \$33,000.00 to be pledged as security for certain outstanding notes, or to be sold, only under a supplemental order prescribing the minimum price to be received for same.

*Guy C. Earl and Chaffee Hall*, for Applicant.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for authority to issue bonds of the face value of \$33,000.00 to reimburse applicant for moneys heretofore expended

from income not secured by or obtained from the issue of stocks or stock certificates or bonds, notes or other evidences of indebtedness, for the acquisition of property and the construction, extension and improvement of facilities.

Applicant was incorporated on November 8, 1911, for the purpose of acquiring, constructing and operating a line of railroad from San Francisco, thence by ferry to a convenient point in or near the city of Vallejo, county of Solano; thence running in a general northerly and northwesterly direction through the cities of Napa and St. Helena to a point in or near the town of Calistoga, in Napa County. Prior to applicant's incorporation, a line of railway between Vallejo and Napa had been constructed by the Vallejo, Benicia and Napa Valley Railroad Company, which company had issued capital stock of the par value of \$500,000.00 and bonds of the face value of \$500,000.00. Thereafter, a new corporation, called the San Francisco, Vallejo and Napa Valley Railroad Company took over the existing corporation and extended the line of railway to St. Helena. This latter company issued capital stock of the par value of \$1,500,000.00 and bonds of the face value of \$1,500,000.00. The corporation became financially embarrassed, with the result that on October 30, 1911, foreclosure sale was duly and regularly held by the trustee under the trust indenture securing its bonds. On December 1, 1911, applicant acquired all the property of the San Francisco, Vallejo and Napa Valley Railroad Company. Applicant issued its first mortgage bonds of the face value of \$450,000.00, its debentures of the face value of \$599,000.00, and its capital stock of the par value of \$2,000,000.00 to take over these properties and to pay the outstanding indebtedness of the old company. It thereafter issued its first mortgage bonds of the face value of \$150,000.00, and with the proceeds thereof constructed an extension of the railroad from St. Helena to Calistoga.

The present condition of applicant's stocks and bonds is as follows: Of the \$2,000,000.00, par value, of common capital stock heretofore issued there is now outstanding stock of the par value of \$731,700.00. The remaining capital stock failed to pay the assessment of \$5.00 per share, which was recently levied for the purpose of enabling applicant to pay damage claims resulting from a wreck on its line. Applicant has authorized the issue of its first mortgage, 6 per cent 25-year gold bonds of the face value of \$1,000,000.00, dated November 20, 1911, and secured by trust deed or mortgage to Mercantile Trust Company of San Francisco, trustee. Of the amount so authorized, bonds of the face value of \$600,000.00, as hereinbefore indicated, are now outstanding. Applicant also entered into an agreement, dated November 20, 1911, with Mercantile Trust Company of San Francisco for the issue of unsecured debentures of the face value of \$610,000.00, bearing

interest at the rate of 5 per cent per annum and payable on December 1, 1936. Of the debentures so authorized, debentures of the face value of \$599,000.00 have been issued and are now outstanding.

At the hearing applicant claimed a present value of its property amounting to \$1,374,144.63. The Commission has not undertaken to examine this valuation and does not in this proceeding pass upon its correctness. I mention the matter simply as showing the value claimed by applicant.

Applicant now seeks authority to issue its first mortgage, 6 per cent bonds of the face value of \$33,000.00 in order to reimburse itself on account of capital expenditures amounting to \$44,158.44 incurred between November 20, 1911, and June 1, 1913. The items of these expenditures are set forth on pages 6 and 7 of the petition herein and reference is hereby made thereto. Under the provisions of section 3 of article I of the mortgage or deed of trust securing applicant's bonds, it is provided that bonds shall from time to time be certified and delivered by the trustee to an amount not exceeding in the aggregate 75 per cent of the actual and reasonable cash cost to the railway of permanent extensions and additions of and to its railway system, properties and equipment, made or acquired after the date of the indenture.

The amount of bonds which applicant now asks authority to issue is somewhat less than 75 per cent of the capital expenditures incurred between November 20, 1911, and June 1, 1913, hereinbefore referred to.

The foregoing section of applicant's trust deed provides also that additional bonds shall not be certified

“unless and until the net earnings from the operation of the railway system and properties, at the time owned by the railway, for the period of twelve consecutive months ending not more than sixty days prior to the respective applications for the certification of bonds, after deducting from such earnings all operating expenses, including taxes, insurance and customary expenditures for current repairs and current maintenance ordinarily chargeable to operating expenses, shall have been in each case equal to at least twice the total annual interest charge on all bonds outstanding hereunder, together with the bonds for which application is made and any secured indebtedness, the lien, or liens, of which shall be prior to the lien of this indenture on any property hereafter acquired by the company.”

The application to the trustee in this case was made on July 28, 1913. The annual report of applicant for the year ending June 30, 1913, as filed with this Commission, shows net earnings, before the payment of interest on the funded debt, amounting to \$87,751.75. As bonds of the face value of \$600,000.00 of this issue are now outstanding, it is evident that if an additional \$33,000.00, face value, of this issue be now authorized, applicant will still be able to comply with the above quoted provisions of its trust deed.

In ascertaining the real net earnings of applicant, attention should be drawn to the fact that no charge has been made for depreciation. Applicant takes the position, however, that a portion of the charge which should properly be made for depreciation is taken care of under the head of operating expenses. Applicant's attention should be drawn to the necessity of setting up a proper depreciation account.

Applicant desires to use the bonds which it now asks authority to issue for the purpose of pledging them to secure the payment of the promissory notes aggregating \$58,600.00 which are set forth in Exhibit "B," which is attached to the petition herein, and to repledge them from time to time as security on further short-term obligations, but not to a greater extent than at the ratio of \$2.00 of bonds to \$1.00 of indebtedness. These promissory notes were in large part given to secure money to pay the damage claims resulting from the accident to which reference has hereinbefore been made. The amount so paid has been charged to operating expenses, as is proper. These notes have been guaranteed without further consideration by private individuals who now desire to be released of their liability. Applicant also asks authority to sell these bonds from time to time, but does not specify the price which it hopes to be able to secure for the same. Applicant states that it does not regard the present time as propitious for selling long-term securities such as those which it now asks this Commission's authority to issue.

Under all the circumstances of this proceeding, I recommend that the application be granted, subject to the conditions specified in the order.

I submit herewith the following form of order:

#### ORDER.

San Francisco, Napa and Calistoga Railway having applied to the Railroad Commission for an order authorizing the issue by said company of bonds of the face value of \$33,000.00, said bonds to be payable on the first day of December, 1936, and to bear interest at the rate of 6 per cent per annum, payable semiannually, and secured by a trust deed or mortgage upon all the property of the company, and a public hearing having been held upon said application, and the Commission finding that the money to be secured by the issue of said bonds is necessary to and reasonably required by said company for the reimbursement of moneys actually expended from income within five years next prior to the filing of the application herein, for the acquisition of property and the construction, completion, extension and improvement of its facilities, and that the purposes for which said moneys are to be expended are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the Railroad Commission of the State of California hereby authorizes the issue by San Francisco, Napa and Calistoga Railway of thirty-three thousand (\$33,000.00) dollars, face value, of principal of bonds of said company, maturing the first day of December, 1936, bearing interest at the rate of six (6) per cent per annum, payable semiannually, on the first day of June and the first day of December of each year, under and in pursuance of the terms of the trust deed or mortgage heretofore and on the twentieth day of November, 1911, made and executed by said San Francisco, Napa and Calistoga Railway to Mercantile Trust Company of San Francisco, as trustee, upon the following conditions, and not otherwise, to wit:

1. San Francisco, Napa and Calistoga Railway may pledge said bonds at the ratio of not to exceed two (\$2.00) dollars in bonds to one (\$1.00) dollar of indebtedness to secure the payment of the promissory notes set out in Exhibit "B," attached to the petition herein, and aggregating the total sum of fifty-eight thousand six hundred (\$58,600.00) dollars, or such amount thereof as applicant desires to secure in this manner. As said notes are paid and said bonds returned to applicant's treasury, they may from time to time, until the further order of this Commission, be pledged on the same terms to secure other indebtedness of applicant, on condition that in each such case applicant shall write to the Commission a letter stating the amount of indebtedness which it desires to secure, the purpose for which said indebtedness was incurred, the person to whom the indebtedness is owing, the instrument or instruments, if any, evidencing such indebtedness, and the numbers and amounts of the bonds issued as a pledge to secure the same.

2. San Francisco, Napa and Calistoga Railway may, as an alternative to the authority granted in the preceding paragraph, sell said bonds or any thereof, within the term of two years from the date of this order, but only after it shall first have secured from this Commission a supplemental order specifying the minimum price at which the bonds may be sold. The proceeds from such sale shall be used to reimburse applicant for the expenditures heretofore made from income, as specified in the opinion which precedes this order.

3. San Francisco, Napa and Calistoga Railway shall keep separate, true and accurate accounts showing the disposition in detail of the bonds issued hereunder, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission stating the pledge of said bonds during the previous month, the terms and conditions of the pledge, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Com-

mission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority hereby given to issue bonds shall not become effective until applicant has paid the fee specified in section 57 of the Public Utilities Act, as amended.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of January, 1914.

---

DECISION No. 1211.

IN THE MATTER OF THE APPLICATION OF SANTA CATALINA ISLAND COMPANY TO DISCONTINUE SERVICE OF ELECTRICITY IN THE CITY OF AVALON DURING CERTAIN HOURS.

---

Application No. 898.

*Decided January 20, 1914.*

---

REPORT OF THE COMMISSION.

ORDER OF DISMISSAL.

Santa Catalina Island Company having, on January 16, 1914, made written request to this Commission that the above-entitled application be dismissed,

*It is hereby ordered* that the above-entitled application be, and the same hereby is, dismissed.

By order of the Railroad Commission.

Dated at San Francisco, California, this 20th day of January, 1914.

## DECISION No. 1212.

IN THE MATTER OF THE APPLICATION OF J. R. ANDERSON  
TO SELL A GAS PLANT AND DISTRIBUTING SYSTEM IN  
THE CITY OF OAKDALE AND OF OAKDALE GAS COM-  
PANY TO PURCHASE THE SAME, TO MORTGAGE ITS  
PROPERTY AND TO ISSUE STOCKS AND BONDS.

---

Application No. 829.

*Decided January 22, 1914.*

---

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL ORDER.

GORDON, *Commissioner*.

This Commission having, on January 16, 1914, issued an order in the above entitled matter granting authority to Oakdale Gas Company, among other matters, to issue \$25,000.00 of its first mortgage 6 per cent 25-year bonds, and said order to issue said bonds having been conditioned upon the approval of this Commission of the trust deed under which said bonds are to be issued, and said trust deed having been modified and an amended copy thereof filed with this Commission,

*It is hereby ordered* that said trust deed as amended be approved and it is hereby approved by this Commission; said trust deed being the trust indenture of Oakdale Gas Company to the Security Trust and Savings Bank and filed in connection with the application herein together with the amendments thereto.

The foregoing supplemental order is hereby approved and ordered filed as the supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of January, 1914.

## DECISION No. 1213.

IN THE MATTER OF THE CHARGES OF PUBLIC UTILITY GAS CORPORATIONS FOR NATURAL GAS DELIVERED AT WHOLESALE AT POINTS IN LOS ANGELES COUNTY OUTSIDE OF THE LIMITS OF INCORPORATED CITIES AND TOWNS.

---

Case No. 464.

*Decided January 22, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER DENYING APPLICATION FOR REHEARING.

Southern California Gas Company having filed its application for rehearing in the above entitled proceeding, and said application having been carefully considered by the Railroad Commission, and the Commission finding that there is no reasonable ground for a rehearing in said proceeding,

*It is hereby ordered* that said application be and the same is hereby denied.

Dated at San Francisco, California, this 22d day of January, 1914.

---

DECISION No. 1214.

F. K. WEEKS, PRESIDENT OF THE BOARD OF TRUSTEES  
OF THE CITY OF HOLTVILLE, AND OTHERS,

*vs.*

CALIFORNIA DEVELOPMENT COMPANY, AND W. H. HOLABIRD, RECEIVER OF THE CALIFORNIA DEVELOPMENT COMPANY.

---

Case No. 355.

*Decided January 22, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER DISMISSING COMPLAINT.

Complainants in the above-entitled proceeding having, on January 15, 1914, made written request to this Commission that the complaint in the above-entitled proceeding be dismissed,



*It is hereby ordered* that the complaint in the above-entitled proceeding be and the same is hereby dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 22d day of January, 1914.

---

DECISION No. 1215.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO HOME TELEPHONE COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF PROMISSORY NOTES OF THE FACE VALUE OF ONE HUNDRED AND FIFTY THOUSAND DOLLARS SECURED BY BONDS.

---

Application No. 800.

*Decided January 22, 1914.*

---

Supplemental order amending original order of the Commission so as to permit applicant to sell its notes at 90, and to pledge its bonds not exceeding the ratio of three to one as security therefor.

REPORT OF THE COMMISSION.

SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

On October 29, 1913, this Commission made its order in the above entitled proceeding authorizing applicant to issue its promissory notes in the aggregate amount of \$150,000.00, on certain conditions specified in the order.

One of the conditions was that

“The authority hereby given shall not become effective until applicant has complied with the sinking fund provisions of its bond mortgage and has filed with the Commission a statement, satisfactory to the Commission, showing such compliance.”

There has now been filed with this Commission a certificate of the Title Insurance and Trust Company, the trustee under applicant's bond mortgage, dated January 15, 1914, reciting in part that applicant has now paid to the trustee the sum of \$224.80 for the sinking fund for the year 1912 and \$242.75 for the sinking fund for the year 1913. This certificate constitutes a sufficient compliance with the condition hereinbefore referred to. Another condition was that the notes should be issued so as to net not less than 94 per cent of the face value of the principal thereof and that they might be secured by applicant's bonds in an amount not exceeding the ratio of two to one.

Applicant has now filed with this Commission letters from three banks in San Diego County, stating that the notes can not be sold to realize more than 90 per cent of their face value, and that it will be necessary to have bonds as security at the ratio of three to one. While the ratio of the bonds is unusually high, I am convinced that under all the circumstances of the case it would be wiser to grant the application in modified form than to retain conditions under which it would be impossible at the present time for applicant to secure funds. As the notes are paid off year by year, in five annual installments, the bonds will be returned to applicant's treasury, and they may not again thereafter be issued until this Commission's consent has first been secured.

I recommend the following supplemental order :

**SUPPLEMENTAL ORDER.**

San Diego Home Telephone Company having represented to this Commission that it has been unable to sell its promissory notes on the terms specified in this Commission's order dated October 29, 1913, and that bankers of San Diego County will take said notes if they may be sold so as to net San Diego Home Telephone Company not less than ninety (90) per cent of the face value of the principal thereof, on condition that they are secured by applicant's bonds in an amount not exceeding the ratio of three (3) to one (1),

*It is hereby ordered* that the order heretofore rendered in said proceeding on October 29, 1913, be and the same is hereby amended so as to authorize San Diego Home Telephone Company to sell its notes at not less than ninety (90) per cent of the face value of the principal thereof, said notes to be secured by applicant's bonds in an amount not exceeding the ratio of three (3) to one (1). In all other respects said order shall remain in full force and effect.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of January, 1914.

## DECISION No. 1216.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF CERTAIN FRANCHISE RIGHTS HERETOFORE GRANTED TO IT BY THE CITY OF GLENDALE.

---

Application No. 827.

*Decided January 22, 1914.*

---

Applicant granted a certificate of public convenience and necessity to construct a gas distributing system in the city of Glendale.

*Sayre Macneil*, for Applicant.

*Jones & Evans*, for City of Glendale.

*Paul Overton*, for Los Angeles Gas and Electric Company.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

By this we are asked to make an order declaring that public convenience and necessity require the exercise of rights and privileges by Southern California Gas Company under a franchise granted by the city of Glendale to said company for the installation and operation of a gas distributing system in said city.

The evidence shows that applicant was granted a franchise for said purposes by said city on September 2, 1913, and that no other company is now supplying gas to said community, and that the supplying of gas under said franchise to said community by applicant would be a real public benefit.

I recommend that the application be granted, and submit herewith the following form of order:

## ORDER.

Application having been made by Southern California Gas Company for an order declaring that public convenience and necessity require the exercise by it of rights and privileges under a franchise granted by the city of Glendale, and a public hearing having been had and it appearing to the Commission that said application should be granted,

*It is hereby ordered* by the Railroad Commission of the State of California that public convenience and necessity require the exercise of rights and privileges by Southern California Gas Company under that certain franchise granted by the city of Glendale on the 2d day of

September, 1913, a copy of which said franchise is filed with the application herein, and reference to which is hereby made.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of January, 1914.

---

DECISION No. 1217.

IN THE MATTER OF THE APPLICATION OF FRESNO TRACTION COMPANY FOR A CERTIFICATE THAT THE PRESENT AND FUTURE PUBLIC CONVENIENCE REQUIRE THE EXTENSION OF THE LINES OF SAID COMPANY, AND IN THE MATTER OF THE APPLICATION FOR THE CONSTRUCTION OF CROSSINGS OF PUBLIC ROADS AND HIGHWAYS, AND ALSO IN THE MATTER OF THE APPLICATION FOR PERMISSION TO CONSTRUCT A SUBWAY UNDER THE TRACKS OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY.

---

Application No. 885.

*Decided January 22, 1914.*

---

*Held.* Applicant granted a certificate of public convenience and necessity to construct and operate a street railway line over certain public streets and highways in the county of Fresno, to cross certain streets at grade, and to construct an under-grade crossing beneath the tracks of the Santa Fe Railway Company. Certain specifications prescribed, to be complied with by applicant in the construction of said crossings.

*O. L. Everts*, for the Fresno Traction Company.

*M. W. Reed*, for the Atchison, Topeka and Santa Fe Railway Company.

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

The applicant is organized for the purpose of constructing, maintaining and generally operating an electric railroad in and around and adjacent to the city of Fresno, in Fresno County, California.

It is at this time contemplating and has commenced the construction of a standard gauge railroad, which is an extension of and connected with the present line of its system now in operation, commencing at or near the center line of Wishon avenue, on the southerly line of McKinley avenue, and at the northerly line of Wilson's North Park Tract, as per

map which is on file with the Commission, and running thence northerly on said Wishon avenue, along or near the center line thereof, and through certain additions to the city of Fresno, known as North Park Terrace, College Addition and Van Ness Heights, to the northerly line of Princeton avenue, a distance of three quarters of a mile, more or less. This portion of said line runs upon the public highway of the county of Fresno, and a franchise was secured from said county by the passage of an ordinance on the 29th day of July, 1913, by the board of supervisors of Fresno County, a copy of which is attached to the application.

From a point on the northerly line of Princeton avenue, above mentioned and described, the said line of railroad extends by private right of way northerly through that certain addition to the city of Fresno, known as Normal View, crossing the Santa Fe Railway Company's tracks, with an undergrade crossing; thence running in a northwesterly direction through a part of the northeast quarter ( $\frac{1}{4}$ ) of the northwest quarter ( $\frac{1}{4}$ ) of section twenty-eight (28), township thirteen (13) south, range twenty (20) east, M. D. B. and M.; thence running in a due northerly direction on a right of way owned by this company, through the east half ( $\frac{1}{2}$ ) of the west half ( $\frac{1}{2}$ ) of section twenty-one (21); thence through the west half ( $\frac{1}{2}$ ) of section sixteen (16); thence through and along the southerly line of section eight (8), and a part of section seven (7); thence bearing due north through the east half ( $\frac{1}{2}$ ) of section seven (7), all of the said sections being located in township thirteen (13) south, range twenty (20) east, M. D. B. and M.; thence northerly through the west half ( $\frac{1}{2}$ ) of section thirty-one (31), township twelve (12) south, range twenty (20) east, M. D. B. and M., a distance of about half a mile; thence the line of said road to follow in a northeasterly direction, making a curve with the meander line of the San Joaquin River, and running therefrom in a northwesterly direction through a portion of the northeast quarter ( $\frac{1}{4}$ ) of section thirty-six (36), and the southeast quarter ( $\frac{1}{4}$ ) of section twenty-five (25), all in township twelve (12) south, range twenty (20) east, M. D. B. and M.

The last two miles of said line follow the bluff along the San Joaquin River, and meander with the course of said river, and the description aforesaid is simply general in its character.

The distance covered by this line is practically nine and one half ( $9\frac{1}{2}$ ) miles, more or less, and a full and complete description can be had from the maps on file with this Commission.

With the exception of the first half mile hereinbefore described, the said line will be constructed entirely upon the private right of way owned by the applicant, and the following public roads and highways in the county of Fresno will be crossed:

*Crossing No. 1.* McKinley avenue, a public highway at Engineer's Station 6 plus 67.

*Crossing No. 2.* Peralta way, a public highway at Engineer's Station 9 plus 87.

*Crossing No. 3.* University avenue, a public highway at Engineer's Station 19 plus 18.

*Crossing No. 4.* Normal avenue, a public highway at Engineer's Station 16 plus 48.

*Crossing No. 5.* Van Ness boulevard, a public highway at Engineer's Station 19 plus 84.

*Crossing No. 6.* Cambridge avenue, a public highway at Engineer's Station 23 plus 18.

*Crossing No. 7.* Yale avenue, a public highway at Engineer's Station 26 plus 46.

*Crossing No. 8.* Vassar avenue, a public highway at Engineer's Station 29 plus 75.

*Crossing No. 9.* Clinton avenue, a public highway at Engineer's Station 33 plus 02.

*Crossing No. 10.* Terrace avenue, a public highway at Engineer's Station 35 plus 32.

*Crossing No. 11.* Harvard avenue, a public highway at Engineer's Station 39 plus 63.

*Crossing No. 12.* Brown avenue, a public highway at Engineer's Station 42 plus 93.

*Crossing No. 13.* Princeton avenue, a public highway at Engineer's Station 46 plus 24.

The above crossings, numbers one (1) to thirteen (13) inclusive, are made on Wishon avenue, under a franchise granted by the county of Fresno.

The remaining portion of said line is built entirely upon private right of way and crosses the following highways and county roads in said county of Fresno:

*Crossing No. 14.* Shields avenue, a public highway at Engineer's Station 60 plus 55.

*Crossing No. 15.* A public highway (county road) at Engineer's Station 113 plus 50.

*Crossing No. 16.* Van Ness boulevard, a public highway at Engineer's Station 170 plus 50.

*Crossing No. 17.* Palm avenue, a public highway at Engineer's Station 177 plus 60.

*Crossing No. 18.* Cole avenue, a public highway at Engineer's Station 203 plus 55.

*Crossing No. 19.* Chittenden avenue, a public highway at Engineer's Station 290 plus 08.

*Crossing No. 20.* Saunders avenue, a public highway at Engineer's Station 266 plus 27.

*Crossing No. 21.* Bullard avenue, a public highway at Engineer's Station 292 plus 62.

*Crossing No. 22.* Bacon avenue, a public highway at Engineer's Station 318 plus 99.

*Crossing No. 23.* Herndon-Clovis road (county road) at Engineer's Station 345 plus 55.

*Crossing No. 24.* A public highway at Engineer's Station 429 plus 50.

All the above crossings are shown by maps and profiles attached to the application.

Applicant proposes to cross all of the twenty-four (24) crossings, as hereinbefore described, at grade.

At a point in the northeast quarter ( $\frac{1}{4}$ ) of the northwest quarter ( $\frac{1}{4}$ ) of section twenty-eight (28), township thirteen (13) south, range twenty (20) east, M. D. B. & M., the applicant's line, at Engineer's Station 52 plus 82, crosses the main line of the Atchison, Topeka and Santa Fe Railway Company, and it is proposed to construct an undergrade crossing at that point. The company has filed with the Commission, and made a part of its application, maps, profiles and plans showing the method of construction of said proposed undergrade crossing. It also appears that the applicant has heretofore made an agreement with the Atchison, Topeka and Santa Fe Railway Company with reference to the method of construction and division of expense in regard to said crossing. Said agreement is annexed to the application and marked Exhibit "B." This undergrade crossing falls under the provisions of this Commission's General Order No. 26, where an overhead clearance of nineteen (19) feet for this particular type of crossing is required. It further appears that on the thirteenth day of October, 1913, the applicant asked for a modification of the overhead clearance provision of said order, and that on October 31, 1913, General Order No. 26 was modified by the Commission so as to allow a sixteen (16) foot clearance in place of the nineteen foot clearance, in the construction of said undergrade crossing.

At the hearing in Fresno on January 14, 1914, it was developed that the present and future public convenience will require the construction and operation of said line; that the said line connects the city of Fresno with the San Joaquin River, running through a portion of the county which is rapidly being developed, and that the construction and operation of said line will assist in the development of said portion of Fresno County, and that no other electric or interurban line reaches or tra-

verses any part of the country through which this line proposes to run. It further developed that no bond issue or loan is desired by the applicant in the construction of said line.

With reference to the road and highway crossings described heretofore, under numbers one (1) to twenty-four (24) inclusive, it appears to the Commission that all of the said crossings are not within the incorporated limits of a city or town, and therefore the railroad company has the statutory right to construct same, subject to the consent of this Commission under section 43 of the Public Utilities Act, and it is not necessary that a franchise or permit be secured from the board of supervisors of Fresno County to construct said highway crossings; and it further appears that it is not reasonable nor practicable to avoid grade crossings with said streets or public highways, and that the application should be granted subject to the conditions hereinafter specified.

With reference to the proposed undergrade crossing of applicant's tracks under the tracks of the Atchison, Topeka and Santa Fe Railway Company, it appears to the Commission that a separation of grades at this point will be desirable, and that the application should be granted subject to the conditions hereinafter specified.

I recommend the following form of order:

#### ORDER.

Fresno Traction Company, having applied to this Commission for a certificate that the present and future public convenience requires the extension of the lines of said company from a connection with the present line of said company's system now in operation, commencing at or near the center line of Wishon avenue, on the southerly line of McKinley avenue, and ending at a point in the southeast quarter ( $\frac{1}{4}$ ) of section twenty-five (25), township twelve (12) south, range twenty (20) east, as hereinbefore described, and all in Fresno County, California, and having a total length of approximately nine and one half ( $9\frac{1}{2}$ ) miles,

It is hereby declared that public convenience and necessity require and will require the exercise of the rights and privileges granted to applicant by the county of Fresno, California, in said county's Ordinance No. 147, passed on the 29th day of July, 1913, by its board of supervisors, in which ordinance applicant is given permission, upon certain conditions, to construct, equip, operate and maintain a street and interurban railroad along, over and across certain streets, avenues and highways in the county of Fresno, California.

*It is hereby ordered*, first, that permission be hereby granted the Fresno Traction Company to construct its track across the streets or public highways in Fresno County as hereinbefore specified and



described under numbers one (1) to twenty-four (24) inclusive, subject to the following conditions, viz:

(a) The entire expense of constructing the crossings, together with the cost of their maintenance thereafter in good and first-class condition, for the safe and convenient use of the public, shall be borne by applicant.

(b) Applicant shall provide the necessary plank or guard rails, wherever necessary, for the construction of said crossings, and shall ballast same, wherever necessary, to a depth of not less than six (6) inches, with first-class stone or gravel ballast. Said crossings shall be of a length to meet the demands of road traffic, and in no case less than twenty-four (24) feet, with grades of approach not exceeding six (6) per cent.

(c) At crossings hereinbefore described as Crossing No. 14 and Crossing No. 24, applicant shall construct and maintain at its own expense, for the protection of each of said crossings, a first-class standard automatic flagman, which, upon the approach of a train or car, shall display a red light, said light to have the motion of an inverted pendulum, and which shall, at the same time, sound an automatic warning bell. Attached to the support of this device, or one of equal efficiency, shall be a first-class standard highway crossing sign, marked with appropriate black letters, not less than six (6) inches in height upon a white blackground.

(d) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said grade crossings as to it may seem right and proper, and to revoke its permission, if, in its judgment, the public convenience and necessity demand such action.

Second, that applicant be, and is hereby, directed to construct its tracks, at Engineer's Station 52 plus 82, under the track of the Atchison, Topeka and Santa Fe Railway Company's line, upon the following terms and conditions, and in accordance with the specifications hereinafter set forth:

(a) The division of the cost of the undergrade structure, together with the cost of maintenance and operation thereafter, shall be apportioned between Fresno Traction Company and the Atchison, Topeka and Santa Fe Railway Company, in accordance with an agreement entered into between said companies, which is attached to the application and marked Exhibit "B."

(b) Applicant shall comply, in the construction of said structure, with this Commission's General Order No. 26, in regard to clearances, except that permission is hereby granted to vary from the specified

minimum overhead clearance above the top of rails, and that said overhead clearance may be sixteen (16) feet instead of nineteen (19) feet. This permission is granted with the understanding that standard freight cars will not be transported over this line, and that if, in the future, such freight cars are transported over the line, General Order No. 26 must be complied with.

(c) Said structure shall be constructed in a thoroughly first-class and workmanlike manner, with concrete retaining walls on each side and throughout, of suitable dimensions.

(d) Plans and specifications for this structure shall be presented to the Commission for its approval within ninety (90) days after the date of this order, and said structure shall be completed and ready for the operation thereover of trains and cars of applicant within one (1) year after the date of this order.

(e) The approaches of the subway on each side of the crossing for the track of the applicant shall not exceed a grade of three and one half ( $3\frac{1}{2}$ ) per cent.

(f) The Commission hereby reserves the right to make such further orders hereafter relative to the construction, maintenance, operation and protection of said subway and the crossing of applicant's tracks with the track of the Atchison, Topeka and Santa Fe Railway Company as to it may seem right and proper, when in its opinion the public convenience and necessity demand that it take such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of January, 1914.

## DECISION No. 1218.

IN THE MATTER OF THE APPLICATION OF F. E. LAUMANN AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR PERMISSION THE ONE TO SELL CERTAIN TELEPHONE PROPERTY AND RETIRE FROM CERTAIN TERRITORY IN AND AROUND FULTON, SONOMA COUNTY, CALIFORNIA, AND THE OTHER TO BUY SAID TELEPHONE PROPERTY AND RE-ENTER THE SAME TERRITORY.

---

Application No. 901.

*Decided January 22, 1914.*

---

*Held*, F. E. Laumann granted permission to sell to The Pacific Telephone and Telegraph Company a certain telephone system in and adjacent to the town of Fulton. Pacific Telephone and Telegraph Company granted permission to put into effect a new schedule of rates.

*F. E. Laumann, in propria persona.*

*J. T. Shaw, for The Pacific Telephone and Telegraph Company.*

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This application involves the sale of a small telephone exchange serving thirty-five patrons in and adjacent to the town of Fulton in Sonoma County, California, by F. E. Laumann, the present owner, to The Pacific Telephone and Telegraph Company, the withdrawal of the former from this territory and the entry of the latter into the same territory.

At the hearing of this application, it was shown that there are, as of the present date, but one business and four residence telephones located within the town and thirty farmer line telephones in the surrounding community being served through this exchange. Of this number only those within the town, together with the lines connecting them with the exchange and the necessary switchboard and accessory office equipment, are the property of the owner of this exchange. The remaining thirty telephones and farmer lines, together with accessory subscribers' station equipment, are the property of the subscribers or patrons.

The present owner of this exchange, aside from operating this telephone system, is engaged in other business pursuits to which he desires to devote his attention; and aside from continuing to act as local agent

for The Pacific Telephone and Telegraph Company, he desires to withdraw from the telephone business.

Connection for long distance telephone service to points beyond Fulton is had with the system of The Pacific Telephone and Telegraph Company, which company has joined in the application for permission to take over this property, as described in the bill of sale attached to and made a part of the application as Exhibit "C," and to re-enter this field. In so doing, it is willing to assume the responsibility of providing necessary telephone service to this community.

The rates now charged patrons of this exchange for telephone service are as follows:

Business telephones .....	\$1.50 per month
Residence telephones .....	.50 per month
Farmer line service.....	.25 per month

Under the latter rate farmer line patrons own and maintain their own lines and telephones.

The Pacific Telephone and Telegraph Company in its application asks the permission of the Commission, if this application is granted, to charge local exchange rates at Fulton similar to rates now in effect at similar exchanges operated by it in this State. These rates are set forth in detail in its Exhibit "A" which is attached to and made a part of this application and which in part are as follows:

	Business		Residence	
	Wall set	Desk set	Wall set	Desk set
One-party .....	\$2 50	\$2 75	\$2 00	\$2 25
Two-party .....	2 00	2 25	1 75	2 00
Four-party .....			1 50	1 75
Extensions .....	1 00	1 00	1 00	1 00

While the Commission is not specifically asked in the application for permission to increase rates, it is obvious that to allow this schedule to be placed in effect would be equivalent to allowing an increase in the rates. From Mr. Laumann's testimony, it was apparent that his patrons have not been apprised of rate increases and, while there are but five patrons thus involved, the Commission specifically withholds its present approval of the proposed rates. The Pacific Telephone and Telegraph Company, through its representative, agreed to assume responsibility for any objection which might arise as a result of applying the proposed schedule and, in the event of complaint of the rates being made, to make such adjustments as to the Commission may seem reasonable and proper.

No other objection appearing and it appearing to the Commission that the public convenience and necessity will be subserved by the granting of this application, the following order is recommended:

**ORDER.**

Application having been made to this Commission by F. E. Laumann and by The Pacific Telephone and Telegraph Company for permission the one to sell certain telephone property and to retire from certain territory in and around Fulton, Sonoma County, California, and the other to buy said telephone property and to re-enter the same territory as a public utility, and a public hearing having been held thereon and no adequate reason for objection thereto appearing,

*It is hereby ordered* that the application of F. E. Laumann to sell that certain telephone property as set forth in applicant's Exhibit "C," referred to in the opinion in this order, and to retire from certain territory in and around Fulton, Sonoma County, California, and of The Pacific Telephone and Telegraph Company to buy said telephone property and to re-enter the same territory, operating a telephone system as a public utility, and to publish, file and place in effect rates for exchange and long distance toll service be and the same is hereby granted; provided that as to rates for exchange service, this permission is not to be taken as approval of the rates, since the Commission has not yet passed upon their ultimate reasonableness; and provided, further, that as to rates for long distance toll service which the applicant, The Pacific Telephone and Telegraph Company, desires to place in effect for this exchange shall be subject to such modification as may be provided for in this Commission's Decision No. 1082 in Application No. 2 and Case No. 407, so far as said decision may be applicable in this case.

This order to be and become effective upon the execution on the part of these applicants of a conveyance by which title to said telephone property at Fulton, Sonoma County, California, is to be transferred to The Pacific Telephone and Telegraph Company by the said F. E. Laumann.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of January, 1914.

## DECISION No. 1219.

## IN THE MATTER OF THE APPLICATION OF THE WILMINGTON WATER COMPANY FOR AN ORDER PRELIMINARY TO THE ISSUE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR A WATER SYSTEM.

---

Application No. 903.*Decided January 22, 1914.*

---

Application of Wilmington Water Company for an order preliminary to the issuance of a certificate of public convenience and necessity authorizing the construction of a water distributing system in a certain district in Los Angeles County, granted.

*Thomson & Spencer*, for Applicant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application for a certificate that public convenience and necessity will require the construction and operation of a water system on certain designated land in the county of Los Angeles, and for an order declaring that the Commission will, upon application, issue a certificate that public convenience and necessity require the exercise by applicant of rights and privileges under a franchise from the county of Los Angeles, applied for but not yet granted.

Applicant is a corporation organized for the principal purpose of constructing a plant and supplying water to Tract 1563 as per map recorded in Book 21, at page 116 of Maps, in the office of the county recorder of said county of Los Angeles; Tract 1800 as per map recorded in Book 22, at page 164 of Maps, in the office of the county recorder of said county of Los Angeles; and Tract 1855 as per map recorded in Book 24, at page 10 of Maps, in the office of the county recorder of said county of Los Angeles.

The land above described has been laid out in building lots, all of which have been sold with the understanding that water will be delivered to them. \*

A tentative schedule of rates was presented with this application, but applicant states that these rates should be revised and therefore asked that they be not considered as final, but that before the certificate herein asked for be issued, a final schedule of rates will be submitted for approval.

Only shares enough to qualify the directors have been issued by applicant, and it is proposed later to sell capital stock at par for the purpose

of building this plant. Of course, before this stock may be issued, the authorization of this Commission will be necessary.

I recommend that this application be granted on the condition that before the certificate finally issue applicant present for the approval of this Commission, a franchise from the county of Los Angeles, and a schedule of rates to be charged for water delivered by applicant to consumers, and submit herewith the following form of order:

**ORDER.**

Application having been made by Wilmington Water Company for an order that public convenience and necessity require the construction of a plant and system for the production and distribution of water to certain designated lands in the county of Los Angeles, and for an order declaring that the Commission will, upon application, issue a certificate that public convenience and necessity require the exercise of rights under a franchise from the county of Los Angeles now applied for by applicant but not yet granted, and a public hearing having been had thereon and it appearing to the Commission that said application should be granted,

*It is hereby ordered* by the Railroad Commission of the State of California that public convenience and necessity do require the construction of a water producing and distributing plant upon that certain land in the county of Los Angeles, described as follows: Tract 1563 as per map recorded in Book 21, at page 116 of Maps, in the office of the county recorder of said county of Los Angeles; Tract 1800 as per map recorded in Book 22, at page 164 of Maps, in the office of the county recorder of said county of Los Angeles; and Tract 1855 as per map recorded in Book 24, at page 10 of Maps, in the office of the county recorder of said county of Los Angeles; and

*It is hereby further ordered* that upon application a certificate will issue to applicant declaring that public convenience and necessity require the exercise of rights and privileges under a franchise from the county of Los Angeles for the construction and operation of said water producing and distributing plant, which said franchise is now applied for but which has not as yet been granted; provided, however, that before said certificate issue there shall be presented to the Commission for its approval, a franchise for the above purposes from said county of Los Angeles, and a complete schedule of rates to be charged for water to be produced and distributed by applicant.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of January, 1914.

## DECISION No. 1220.

IN THE MATTER OF THE APPLICATION OF HOME TELEPHONE AND TELEGRAPH COMPANY OF SANTA BARBARA COUNTY FOR AUTHORITY TO ISSUE PROMISSORY NOTE AND TO PLEDGE BONDS AS COLLATERAL SECURITY.

---

Application No. 875.

*Decided January 22, 1914.*

---

Applicant authorized to issue its 6 per cent note in the sum of \$15,000.00 in lieu of a note of a like amount now outstanding, and to pledge its bonds of the face value of \$27,000.00 as security therefor.

*E. A. Gilbert, for Applicant.*

## REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

This is an application by Home Telephone and Telegraph Company of Santa Barbara County for authority to refund a note in the sum of \$15,000.00 held by Santa Barbara Savings and Loan Bank, and to repledge, as collateral security for said note, \$27,000.00 of its first mortgage bonds now pledged as collateral security for the note which it desires to refund.

The applicant herein operates a system of telephone lines in Santa Barbara County. For the details thereof and for other particulars bearing upon applicant's organization, financial condition, etc., reference is hereby made to the decision of this Commission on Application No. 874.

Applicant desires merely to continue in existence a present arrangement with Santa Barbara Savings and Loan Bank. It appears that the proceeds derived from the note in the sum of \$15,000.00 were used for additions and betterments to applicant's plant and are not, therefore, chargeable to either operating expenses or to income.

I recommend that the application be granted, and submit the following form of order:

## ORDER.

Home Telephone and Telegraph Company of Santa Barbara County having applied to this Commission for authority to issue its promissory note in the sum of \$15,000.00 to Santa Barbara Savings and Loan Bank, and to pledge as collateral security therefor its first mortgage 5 per cent thirty-year bonds to the amount of \$27,000.00; and a hearing having been held, and it appearing that the money derived from the issue of



said note of \$15,000.00 now to be refunded was used for purposes not, in whole or in part, reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Home Telephone and Telegraph Company of Santa Barbara County be given authority, and it is hereby given authority, to issue a promissory note in the sum of \$15,000.00, payable on demand, to Santa Barbara Savings and Loan Bank, with interest at 6 per cent per annum.

*And it is further ordered* that Home Telephone and Telegraph Company of Santa Barbara County be given authority, and it is hereby given authority, to pledge as collateral security for said note its first mortgage thirty-year 5 per cent bonds in the sum of \$27,000.00.

This authority is given upon the following conditions and not otherwise:

(1) Said note in the sum of \$15,000.00, hereby authorized to be issued, shall be issued to refund a note of like amount issued by the applicant herein and now held by Santa Barbara Savings and Loan Bank.

(2) The authority herein given to issue said note shall apply to such a note as may be issued on or before March 1, 1914.

(3) The bonds herein authorized to be pledged in the sum of \$27,000.00 as collateral security shall, upon the payment or discharge of said note of \$15,000.00, be returned to applicant's treasury and shall not thereafter be issued except upon the order of this Commission.

(4) The applicant herein shall, within thirty days after the execution of its note, herein authorized to be issued, file a statement with the Commission stating that such note has been issued.

(5) This order shall not be effective, in so far as it authorizes the issue of a note, until applicant shall first have paid the fee prescribed by section 57 of the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of January, 1914.

## DECISION No. 1221.

IN THE MATTER OF THE APPLICATION OF THE DEER CREEK RURAL TELEPHONE COMPANY FOR PERMISSION TO SELL TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY THE TELEPHONE PROPERTIES OF THE SAID DEER CREEK RURAL TELEPHONE COMPANY LOCATED AT TERRA BELLA, TULARE COUNTY, CALIFORNIA, AND OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY TO PURCHASE SAID TELEPHONE PLANT AND TO PUBLISH, FILE AND PLACE IN EFFECT RATES FOR SERVICE AT TERRA BELLA, TULARE COUNTY, CALIFORNIA.

---

Application No. 879.

*Decided January 22, 1914.*

---

*Held*, Deer Creek Rural Telephone Company authorized to sell its system in the town of Terra Bella to the Pacific Telephone and Telegraph Company, subject to the consent of a majority of its stockholders. Pacific Telephone and Telegraph Company authorized to establish a telephone exchange in the town of Terra Bella, and to establish and put into effect a schedule of rates therefor.

*J. T. Shaw*, for The Pacific Telephone and Telegraph Company.

*Murray & Knupp*, for Protestants.

---

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

The town of Terra Bella and the community surrounding the town prior to and at the time this application was filed with the Commission, have been dependent for their telephone service upon rural lines connecting with a telephone exchange owned and operated by The Pacific Telephone and Telegraph Company in the city of Porterville, about eight miles distant from Terra Bella. These rural or farmer lines, as they are commonly called, were originally built and are now owned and maintained at the expense of the residents of the section, who, for the purpose of securing necessary funds for building lines and to conduct their business affairs, organized a co-operative rural telephone company which became known as the Deer Creek Rural Telephone Company. This method of securing telephone service was adopted as the most economical method available at the time and when the chief industry was farming, which rendered direct communication with Porterville, the nearest business center, desirable for the farmers. To secure telephone service patrons were required to purchase shares in this organization which were sold at \$45.00 and \$50.00 per share, and in some

instances, when that amount was not sufficient to cover the cost of necessary lines, it was necessary to spend additional sums. Those not desiring to invest in this manner are unable to secure telephones. Approximately thirty telephones are now connected in this way, each patron paying an annual charge of \$4.20 to The Pacific Telephone and Telegraph Company for the Porterville connection, which entitles him to unlimited switching to all other subscribers connected with that exchange.

Since the organization of this rural company, this town and community have experienced considerable development, and those interested in its present and future feel that the interests of the community demand the establishment of a local telephone exchange in Terra Bella. Aside from those persons now having telephone service over the lines of this rural company, there is not at the present time a sufficient population from which it could be hoped to secure new patrons sufficient to justify the establishment and operation of a local exchange; but with the number of those now having this farmer line service, added to the number at present seeking service, and such additional new patrons as may be reasonably anticipated with the further future development of the town and locality. The Pacific Telephone and Telegraph Company has agreed to establish the desired exchange, provided it may be permitted to connect with the local exchange those patrons located in this section who are at present served out of Porterville by the lines of this rural company.

This plan, from a telephone operating standpoint, as well as with a view to serving all patrons, both present and prospective, on an equal basis would appear to be a natural and logical solution of the situation, but that the problem has developed a difficulty, which, if not natural, is at least apparent, and which I shall briefly discuss.

This application for permission to The Pacific Telephone and Telegraph Company to establish a telephone exchange in Terra Bella, and to place in effect a schedule of rates to apply for the proposed service involves also the sale of a portion of the lines of the Deer Creek Rural Telephone Company to The Pacific Telephone and Telegraph Company, and the disconnection of those lines from the Porterville exchange. It involves, also, placing in effect a toll charge of 10 cents for one minute and 5 cents for each additional minute on all calls between these two exchanges. Since this plan contemplates the connection of all the present patrons of this rural company with the proposed exchange in Terra Bella, one effect of approving the application would be to impose a charge for all their necessary calls to or from Porterville for which no charge is now imposed other than the fixed annual charge which is paid to The Pacific Telephone and Telegraph Company for the Porterville connection, regardless of the extent to which this connection is utilized.

The imposition of a toll charge for calls which are now allowed without this charge may, in a sense, be regarded as an increase in rates, but on the other hand the annual charge for connection with the proposed exchange, except to those patrons who may happen to be located within a radius of one half mile of the proposed exchange, and to whom a different and superior class of service would be provided, would be reduced from \$4.20 per year to \$3.00 per year. From testimony of witnesses it was shown at the hearing of this application that the business affairs of this co-operative organization have been wholly neglected, not a single meeting of its directors or shareholders having been held since its organization in 1910, and that no funds have been provided for the maintenance of its system. Funds must eventually be provided by its members if the service is to continue. The sale of these lines to The Pacific Telephone and Telegraph Company, as outlined in the application, would relieve its members of this responsibility so far as such lines are concerned, and would largely reimburse them for their original investment.

The rates which The Pacific Telephone and Telegraph Company desires to charge its patrons in Terra Bella within one half mile of its central exchange, as shown by Exhibit "B," which is made a part of this application, are as follows:

	Business		Residence	
	Wall set	Desk set	Wall set	Desk set
One-party -----	\$2 50	\$2 75	\$2 00	\$2 25
Two-party -----	2 00	2 25	1 75	2 00
Four-party -----			1 50	1 75
Extensions -----	1 00	1 00	1 00	1 00

Farmer line service beyond one half mile radius, \$3.00 per year.

About one half of the shareholders of this rural company are objecting to the sale of these lines and the establishment of this service on the ground that the greater part of their business is with Porterville and that any change in the present service which would involve the payment of a toll charge for such business would work a hardship upon them which would not be offset by sufficient compensating benefits. Approximately an equal number of the shareholders are in favor of the sale and have joined with The Pacific Telephone and Telegraph Company in the application. It appears to the Commission that the public convenience and necessity would be subserved by the establishment of a telephone exchange in Terra Bella. It is apparent, however, that the sale of the property of this rural telephone company can not be effected unless sanctioned by at least a majority of the present owners. It is my opinion that the application should be granted, subject to the consent of a majority of the shareholders of the rural company to the sale of its

lines to The Pacific Telephone and Telegraph Company, and I shall so recommend.

**ORDER.**

Application having been made to this Commission by the Deer Creek Rural Telephone Company, a co-operative rural telephone company, owners of a system of rural telephone lines in Terra Bella and adjacent territory in Tulare County, California, to sell, assign and transfer all of its right, title and interest in and to the telephone properties of the said Deer Creek Rural Telephone Company to The Pacific Telephone and Telegraph Company, operating telephone exchanges and lines in the State of California and elsewhere as public utilities, and by The Pacific Telephone and Telegraph Company to purchase all of the right, title and interest in and to the said telephone property of the said Deer Creek Rural Telephone Company, located at Terra Bella, Tulare County, California, and for permission to install telephone plant and to publish, file and place in effect rates for service in Terra Bella, Tulare County, California, and a public hearing having been held thereon, and it appearing to the Commission that the public convenience and necessity will be subserved thereby;

And it appearing further that the present owners and shareholders of the Deer Creek Rural Telephone Company are equally divided, the one half of said shareholders being opposed to and the other half in favor of the sale, assignment and transfer of all the right, title and interest in and to the telephone properties of the said Deer Creek Rural Telephone Company, as outlined in this application, to The Pacific Telephone and Telegraph Company;

And it further appearing to the Commission that the said sale herein can not be effected without the consent of at least a majority of the present shareholders and owners of the Deer Creek Rural Telephone Company,

*It is hereby ordered* that the application of the Deer Creek Rural Telephone Company and of The Pacific Telephone and Telegraph Company, the one to sell, assign and transfer, and the other to purchase all of the right, title, and interest in and to the telephone properties of the said Deer Creek Rural Telephone Company as outlined in this application and to install telephone plant and to publish, file and place in effect rates for service in Terra Bella, Tulare County, California, as shown in applicant's Exhibits "B" and "C," attached to and made a part of this application; and a toll rate of 10 cents for one minute and 5 cents for each additional minute or fraction thereof for particular person toll service for all calls between Terra Bella and Porterville, Tulare County, California, be, and the same is hereby granted; provided that within ninety days from the date of this order Deer Creek Rural Telephone Company shall have filed with this Commission satisfactory

evidence that the company has lawfully authorized the sale of its property as described in the petition herein, to The Pacific Telephone and Telegraph Company; and provided further, that as to rates for exchange service, as provided in applicant's Exhibit "B," as above, this permission is not to be taken as approval, since the Commission has not yet passed upon their ultimate reasonableness; and provided further, that as to rates for long distance toll service, the rate of 10 cents for one minute and 5 cents for each additional minute or fraction of a minute for particular person toll service for calls between Terra Bella and Porterville, and the rates provided for in applicant's Exhibit "C" above, shall be subject to such modification as may be provided for in this Commission's Decision No. 1082, in Application No. 2 and Case No. 407 so far as said decision may be applicable in this case.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of January, 1914.

---

DECISION No. 1222.

IN RE ORDER OF THE COMMISSION TO BAY POINT AND CLAYTON RAILROAD COMPANY AND S. H. COWELL, PRESIDENT THEREOF, AND W. H. GEORGE, SECRETARY, TREASURER AND GENERAL MANAGER THEREOF, TO FILE ANNUAL REPORT.

---

Case No. 537.

*Decided January 22, 1914.*

---

Order directing Bay Point and Clayton Railroad Company, and certain of its officials, to fill out a copy of the annual report blank furnished by this Commission, and to file same with the Commission on or before February 2, 1914.

REPORT OF THE COMMISSION.

Whereas section 29 of the Public Utilities Act provides that every public utility shall annually furnish to the Commission, at such time and in such form as the Commission may require, a report in which the utility shall specifically answer all questions propounded by the Commission upon or concerning which the Commission may desire information; and

Whereas this Commission has furnished the Bay Point and Clayton Railroad Company with a complete form for an annual report, which

said form contains questions propounded by the Commission, and said Bay Point and Clayton Railroad Company has been repeatedly requested to answer said questions and to fill out said form and to return and file with this Commission said annual report, and said railroad company has failed and refused to comply with such requests, and has failed and refused to file with this Commission any annual report; now, therefore,

It is hereby ordered by the Railroad Commission of the State of California, that Bay Point and Clayton Railroad Company, and S. H. Cowell, president, and W. H. George, secretary, treasurer and general manager, on behalf of said company, on or before February 2, 1914, file in the office of the Railroad Commission of the State of California an annual report in the form heretofore presented by said Commission to said company, and in which said report said company and said S. H. Cowell, president, and said W. H. George, secretary, treasurer and general manager, shall answer all of the questions propounded in said form.

Dated at San Francisco, California, this 22d day of January, 1914.

---

DECISION No. 1223.

IN THE MATTER OF THE APPLICATION OF E. M. WILSON, NETTIE B. HARRIS AND LAWRENCE A. WILSON FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE CONSTRUCTION OF AN ELECTRIC LINE, PLANT OR SYSTEM IN CERTAIN TERRITORY IN MODOC AND LASSEN COUNTIES, CALIFORNIA.

---

Application No. 677.

*Decided January 23, 1914.*

---

Applicants granted a certificate of public convenience and necessity to construct and operate an electrical distributing system in certain districts of Modoc County.

*O. L. Berry*, for Applicants.

*I. Karmel*, for Pitt River Power Company.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

Applicants own and operate a small hydroelectric system which supplies electricity for lighting the town of Adin, in Modoc County, California.

Applicants now desire to extend this system so as to serve the towns of Bieber and Lookout, both in Modoc County. The territory into which

applicants desire to extend their system is not, at present, served by any utility of like character.

The Pitt River Power Company, in Application No. 470, has asked for a certificate that public convenience and necessity require the construction of an electric light and power system in the northeast portion of Shasta County and in Modoc and Lassen counties.

The Pitt River Power Company is, at present, constructing a hydroelectric system at Burney Falls, in Shasta County.

The Commission, on December 9, 1913, made an order declaring that upon obtaining franchises by the Pitt River Power Company in the counties named, the Commission would issue a certificate declaring that public convenience and necessity require the exercise of these franchises. Thereafter the Pitt River Power Company obtained from the board of supervisors of Shasta County a franchise to operate a hydroelectric system in portions of that county.

The Commission thereupon, on January 7, 1914, issued a second order in Application No. 470, declaring that public convenience and necessity required the exercise, in a certain specified portion of Shasta County, of the rights granted to said company by the board of supervisors of Shasta County, in said franchise.

The Pitt River Power Company has no franchise to operate in Modoc County, and is, at present, conducting no operations of any character within said county.

Applicants in this proceeding have already constructed a hydroelectric system at Adin, in Modoc County, and with a view to extending this system to serve other portions of Modoc County, have procured from the board of supervisors of Modoc County in Ordinance No. 51 passed on December 6, 1913, a franchise to construct, maintain and operate any and all necessary appliances, fixtures and transmission lines on, over or under public highways or private rights of way in and through the territory embraced within townships numbered 37, 38, 39, 40 and 41 north, and in ranges numbered 6, 7, 8, 9 and 10 east, M. D. M., in Modoc County, California.

Applicants have now filed a supplemental application in this proceeding requesting a certificate declaring that public convenience and necessity require the exercise of the rights granted to applicants by the board of supervisors of Modoc County, in this franchise.

I am of the opinion that this application should be granted, and submit herewith the following form of order:

**ORDER.**

E. M. Wilson, Nettie B. Harris and Lawrence A. Wilson having applied to this Commission for a certificate declaring that public convenience and necessity require the exercise by applicant of the rights



granted to applicants by the board of supervisors of Modoc County, in Ordinance No. 51, passed on December 6, 1913; and a public hearing having been held upon this matter, and it appearing to the Commission that the application should be granted,

It is hereby declared that public convenience and necessity require the exercise by applicant of the rights granted to them by the board of supervisors of Modoc County, in Ordinance No. 51, passed on December 6, 1913, and granting to applicants the right to construct, maintain and operate any and all necessary appliances and fixtures and transmission lines on, over and under public highways or private rights of way in and through the territory embraced within the townships numbered 37, 38, 39, 40, and 41 north, and in ranges 6, 7, 8, 9, and 10 east, M. D. M., in Modoc County, California.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of January, 1914.

-----

DECISION No. 1224.

R. H. KNOX ET AL.

vs.

SAN JOSE AND SANTA CLARA COUNTY RAILROAD COMPANY, AND SAN JOSE RAILROADS.

-----

Case No. 409.

*Decided January 23, 1914.*

-----

Defendant files an amended application requesting an extension of time in which to comply with the order of this Commission relative to the reconstruction and extension of certain portions of its road.

*Held*, Applicant granted an extension of one year from date of original order, August 30, 1913, in which to construct its road from Twenty-sixth street, San Jose, to Kings Road, and an extension of one and one half years, from August 30, 1913, in which to reconstruct its road from Kings Road to Linda Vista, after which applicant may apply for a further extension in which to reconstruct its road from Linda Vista to Toyon.

*S. F. Leib and Owen D. Richardson*, for Applicant.

*W. H. Robinson*, for Protestants.

REPORT OF THE COMMISSION.

LOVELAND and THELEN, *Commissioners*.

This is an application for rehearing of Case No. 409. That case came on regularly for hearing on August 20, 1913, and thereafter, to wit, on

August 30, 1913, a decision was rendered concerning the matters and things involved, and the defendant in that case (applicant in this hearing), the San Jose Railways, was ordered, first, within six months from date of the opinion and order to reconstruct that portion of its San Jose and Alum Rock narrow gauge road in question as a standard gauge road, and properly equip the same from the present terminus of its standard gauge road at Twenty-sixth street, San Jose, to Linda Vista, a distance of  $3\frac{1}{4}$  miles; and, second, within six months thereafter, or within one year from the date of the opinion and order, the defendant (applicant herein), the San Jose Railways, was ordered to reconstruct that portion of its narrow gauge road extending from Linda Vista to Toyon Station, a distance of  $1\frac{1}{4}$  miles, or, as corrected at this hearing,  $1\frac{6}{10}$  miles, as a standard gauge road, properly equipped, and to make such further extension of said road as would connect said road with the line of the Peninsular Railway Company at or near Toyon Station.

That the Commission recognized the difficulty which has confronted and still confronts applicant herein in securing funds necessary to extension and reconstruction, is evidenced by the following quotation from the opinion preceding the order in original Case No. 409:

“While I am finding as a matter of fact that that portion of defendant's road in question should be reconstructed as standard gauge road, comprehending an outlay of from \$70,000.00 to \$80,000.00, I am not unmindful of the present financial condition of the country and shall not recommend that defendant be ordered to reconstruct this line within such period of time as would compel it to pay an unreasonable rate of interest for the money necessary for the reconstruction.”

Nearly five months have elapsed since the decision in original Case No. 409 was rendered, and it is common knowledge that financial conditions are but little improved. We call attention to this fact for the reason that, while the grounds upon which an application for rehearing was filed were jurisdictional in character—setting forth that the decision of the Commission was in conflict with the State and Federal constitutions, by reason of taking defendant's (applicant herein) property without due process of law—at the hearing of the application for rehearing Mr. Paul Shoup, president of the defendant road, waived those grounds and practically amended the application so that it became an application for an extension of time within which to comply with the Commission's order.

In waiving the jurisdictional grounds set forth in the application, as above stated, Mr. Shoup testified that his company would accept the decision of the Railroad Commission without appeal to the courts, and certain financial matters and detailed matters of operation which the Commission would otherwise have required testimony on were consid-

ered unnecessary, as by stipulation, the matters and things relating to the history of the defendant's system in general, and of the San Jose and Alum Rock line particularly, as developed at the original hearing, were thoroughly gone into, as well as all other matters reasonably to be considered at that hearing, should be considered as a part of the testimony in the present hearing.

The reason set forth as justifying the application for an extension of time to comply with the Commission's order in original Case No. 409 was that it was practically impossible at this time to float bonds without serious sacrifice in selling the same, or to otherwise secure funds for reconstruction purposes without paying exorbitant interest.

Mr. Shoup testified that the San Jose Railways has secured a franchise from its present terminus in San Jose to a point known as Kings Road and would, within one year, reconstruct its present road by building a standard gauge road from its present terminus to said point known as Kings Road; that it would procure a franchise from Kings Road to Linda Vista and, within two years, construct a standard gauge road to said Linda Vista.

He further testified that defendant (applicant herein) would like to have the matter of building a standard gauge road from Linda Vista to Toyon Station held in abeyance for a time to see what development would take place previous to and following the completion of the standard gauge road to Linda Vista.

It seemed to the Commissioners who heard this application that there was a disposition on the part of applicant herein (defendant in original Case No. 409) to recognize the obligation to give to the people along its line adequate and efficient service at the earliest possible moment and that the patrons of the road were inclined to be reasonable in their demands for such adequate and efficient service.

There seems to be no question from the testimony submitted at the hearing in original Case No. 409 and also at the present hearing that the roadbed of applicant is not in good condition and that applicant's first duty to the public which patronizes its line is to make such necessary repairs to its roadbed as will enable it to operate with its present equipment in such manner as the public has a right to expect, or as nearly so as possible under the circumstances.

Some suggestions were made by witnesses for applicant that applicant would not reasonably be expected to change the road from Linda Vista to Toyon Station from narrow gauge to broad gauge, while the patrons of the road were firmly of the opinion that such change should be made.

Mr. W. H. Robinson, counsel for protestants in this hearing and for complainants in original Case No. 409, frankly stated that he recognized the difficulty which public utilities were laboring under in securing money for extensions and reconstruction at the present time, and that

his clients were not disposed to object to applicant being given a reasonable extension, and pledged the assistance of himself and his clients to applicant in securing necessary franchises.

Under all the circumstances of the case, we believe and find as a fact that the former order, resulting from the hearing in original Case No. 409, should be modified and that applicant herein (defendant in original Case No. 409) should be given one year from the date of the opinion and order in original Case No. 409, to wit, August 30, 1913, to complete the reconstruction of its road, from its present terminus at Twenty-sixth street in San Jose to Kings Road, as a standard gauge road; and that a still further extension should be granted to applicant to reconstruct its line from Kings Road to Linda Vista, changing said road from narrow gauge to standard gauge, such further extension of time to be not more than one year and six months from the date of the opinion and order in original Case No. 409; and that the order in original Case No. 409 be further modified by permitting applicant herein (defendant in original Case No. 409) to again apply to this Commission, after it shall have completed its standard gauge road to Linda Vista, for a further order as to the changing of the narrow gauge road, from Linda Vista to Toyon, to a standard gauge road and connecting same with the Peninsular Railway, and the time during which such change shall be made.

We can not escape the conviction that when a franchise is secured for the building of a railroad or other public utility, the person or persons securing such franchise assume certain obligations to the public, which obligations are, in turn, assumed by those to whom they may transfer such franchise. We say this for the reason that it was intimated by some of the witnesses at the hearing of this application that the road from Linda Vista to Toyon Station might well be dismantled, and that the people living along the line between San Jose and Linda Vista would find easy access to Alum Rock Canyon by traveling westward toward San Jose to Fourteenth street, and there transferring to the Peninsular Railway.

We are not inclined to look with favor upon this view of the matter, nor do we believe that the necessity will ever arise for passing upon the question of abandoning the road from Linda Vista to Toyon Station, as we confidently expect that the completion of a standard gauge road to Linda Vista will tend to develop the section between Linda Vista and Toyon Station in such a manner as to justify the extension of the standard gauge road to Toyon Station.

The work of reconstructing this road, as herein ordered, shall include the construction of such switching and side tracks as are necessary to the proper operation of said road.

We have purposely omitted reference to equipment for the road, for the reason that if the roadbed is properly repaired and constructed it may be that applicant herein (defendant in original Case No. 409) will be able to use equipment which it now has on other lines for a time with satisfaction to its patrons. We also suggest to applicant herein (defendant in original Case No. 409) that it take immediate steps to renew its franchises in preparation for the construction herein ordered.

We recommend the following order:

**ORDER.**

The San Jose Railways having, by the decision in original Case No. 409, been ordered to reconstruct its present narrow gauge railroad from its present terminus in San Jose to Linda Vista station, changing the same to a standard gauge and properly equipping same within six months from date of said order in original Case No. 409, and also that within six months thereafter, or within one year from the date of said order, to reconstruct that portion of its narrow gauge road extending from Linda Vista to Toyon Station as a standard gauge road and properly equip the same and connect at Toyon Station with the Peninsular Railway, and San Jose Railways having applied to the Commission for a rehearing of original Case No. 409 upon the grounds that the decision of the Commission in said original Case No. 409 was in conflict with the constitution of California and of the United States, and having thereafter waived said grounds and amended its application so as to apply for an extension of time within which to comply with the Commission's order, for the reason that it could not at present, without great sacrifice in bond discount or in interest, secure the funds necessary to such construction; and the protestants in this hearing (complainants in original Case No. 409) having stated to the Commission at this hearing that they would not oppose a reasonable extension of time; and the Commission finding as a fact that the decision in original Case No. 409 should be modified, as set forth in the opinion preceding this order,

*It is hereby ordered* that the order in original Case No. 409 be and it is modified, and applicant herein (defendant in original Case No. 409) is hereby granted one year from August 30, 1913, in which to construct its standard gauge road from its present terminus at Twenty-sixth street, San Jose, to Kings Road; and that it be granted a further extension of not more than one year and six months from the date of the opinion and order in original Case No. 409 to reconstruct its line from Kings Road to Linda Vista, changing said road from narrow gauge to standard gauge.

*It is also ordered* that the work of reconstructing this road, as herein ordered, shall include the construction of such switching and side tracks as are necessary to the proper operation of said road.

*And it is further ordered* that the order in original Case No. 409 be and it is further modified to the end that applicant herein (defendant in original Case No. 409) may again apply to this Commission, after it shall have completed its standard gauge road to Linda Vista, for a further order as to changing of the narrow gauge road, from Linda Vista to Toyon, to a standard gauge road and connecting same with the Peninsular Railway, and the time during which such change shall be made.

It must be recognized by the parties to original Case No. 409 and to this application that the Commission will be aware of improvement in financial conditions and applicant herein (defendant in original Case No. 409) must not unreasonably delay the constructing of its standard gauge road from Kings Road to Linda Vista, with reference to which some latitude has been given in this opinion and order, after improved financial conditions justify an immediate reconstruction of said road.

And to the end that the Commission may be advised that proper steps are being taken to get ready for the reconstruction ordered herein,

*It is further ordered* that applicant herein (defendant in original Case No. 409) shall, on or before ninety days from the date of this order, report in writing to this Commission what steps it has taken looking to the renewal of its franchise, thereby putting itself in position to comply with the order of the Commission herein.

This order granting additional time to applicant herein, (defendant in original Case No. 409,) to comply with the order of this Commission in Case No. 409 is conditional upon applicant making such repairs to its track and roadbed from Twenty-sixth street, San Jose, to Toyon, and its equipment as will render operation with its present equipment safe and reasonably satisfactory to its patrons within ninety (90) days from date hereof.

*And it is hereby ordered* that on or before ninety (90) days from the date of this order, applicant herein (defendant in original Case No. 409) shall file with this Commission a statement showing that such improvement to track, roadbed and equipment has been made.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of January, 1914.

## DECISION No. 1225.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AN ORDER AUTHORIZING IT TO ISSUE, SELL AND DELIVER TO THE AMOUNT OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS, ITS BONDS BEARING INTEREST AT THE RATE OF FIVE PER CENT PER ANNUM DUE NOVEMBER 1, 1939, WHICH BONDS ARE TO BE ISSUED UNDER AND SECURED BY TRUST INDENTURE DATED NOVEMBER 1, 1909, EXECUTED BY SAID SOUTHERN CALIFORNIA EDISON COMPANY TO HARRIS TRUST AND SAVINGS BANK AND LOS ANGELES TRUST AND SAVINGS BANK, TRUSTEES.

---

Application No. 350.

*Decided January 24, 1914.*

---

Supplemental order authorizing applicant to sell its bonds, heretofore authorized to be sold at 92, at 89, and extending the time in which said bonds may be sold from January 30, 1914, to January 30, 1915.

## REPORT OF THE COMMISSION.

## THIRD SUPPLEMENTAL OPINION.

EDGERTON, *Commissioner*.

Application is now made by Southern California Edison Company for a supplemental order extending the effective date of the original order made herein, from the 30th day of January, 1914, to the 30th day of January, 1915, and reducing the minimum at which bonds therein authorized may be sold from 92 per cent of the face value plus accrued interest at the date of their delivery to the purchaser, to 89 per cent of the face value thereof plus accrued interest, and modifying said order so as to permit the reimbursement of the treasury of said company with the proceeds of the sale of bonds to the extent that moneys have been expended from the treasury for the purposes set out in Exhibit B, attached to the original application herein and described in detail in the original order herein.

We are informed that diligent efforts have been made to sell bonds for the minimum prescribed in the original order, to wit, 92 per cent of face value with accrued interest, but that only 649 bonds have been sold at that figure, and it is impossible to sell more at this time unless the price is lowered.

We are informed that a large number of these bonds may be sold now at a price not more than 89 per cent with accrued interest, and I think under all the circumstances that we are warranted in permitting the sale at this price.

But, applicant has not made clear whether the money obtained from the sale of these bonds should be used to pay off obligations created under the supplemental orders issued herein or whether there has been an actual expenditure from the treasury for the purposes set out in Exhibit B specified in the original order herein, and I think that before the money derived from the sale of these bonds be finally applied this should be made clear.

I recommend that the application be granted with certain conditions hereinafter set out in the order, and submit herewith the following form of order:

#### THIRD SUPPLEMENTAL ORDER.

Application having been made by Southern California Edison Company for a modification of the order hereinbefore made, and it appearing to the Commission that said application should be granted under certain conditions;

Now, therefore, it is hereby ordered by the Railroad Commission of the State of California that the time within which bonds might be issued under the order hereinbefore made on the 27th day of January, 1913, is hereby extended to and including the 30th day of January, 1915, and paragraph 1 of said order is hereby amended so as to read as follows:

“Southern California Edison Company shall sell the bonds hereby authorized so as to net said company not less than 89 per cent of the face value thereof, plus accrued interest at the date of their delivery to the purchaser.”

Provided, however, that this order is made subject to the condition that before applying any of the proceeds of the sale of the bonds hereby authorized, applicant shall submit satisfactory evidence to the Commission as to whether expenditures have been made from the treasury for the purposes set out in Exhibit B in the original order herein, or whether money has been borrowed as evidence of which indebtedness there are now outstanding obligations, the money received therefrom having been applied to the purposes set out in said Exhibit B.

Upon receipt of such evidence the Commission will give directions to applicant as to the application of the proceeds of the sale of these bonds.

The foregoing third supplemental opinion and order are hereby approved and ordered filed as the third supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24th day of January, 1914.



Decision No. 1226, grade crossing; not printed. See end of volume.

DECISION No. 1227.

IN THE MATTER OF THE APPLICATION OF THE COAST  
COUNTIES GAS AND ELECTRIC COMPANY FOR PER-  
MISSION TO EXERCISE FRANCHISE RIGHTS GRANTED  
TO IT BY THE CITY OF GILROY.

---

Application No. 956.

*Decided January 21, 1914.*

---

REPORT OF THE COMMISSION.

Coast Counties Gas and Electric Company having applied to this Commission for a certificate declaring that public convenience and necessity require the exercise by applicant of the rights and privileges granted to applicant by the city of Gilroy in Ordinance No. 261, passed and adopted on December 8, 1913, and granting to applicant the authority to change part of the route of its electric power line along and across certain highways of the city of Gilroy, county of Santa Clara, State of California, which said route is maintained by permission granted under Ordinance No. 243 of the city of Gilroy; and it appearing to the Commission that this is not a case in which a public hearing is necessary, and that the application should be granted,

*It is hereby declared* that public convenience and necessity require the exercise by applicant of the rights and privileges granted to it by the city of Gilroy in Ordinance No. 261, passed and adopted on December 8, 1913.

By order of the Railroad Commission.

Dated at San Francisco, California, this 24th day of January, 1914.

## DECISION No. 1228.

IN THE MATTER OF THE APPLICATION OF LOS VERJELS  
LAND AND WATER COMPANY FOR AUTHORITY TO  
MORTGAGE ITS PROPERTY AND TO ISSUE STOCK.

Application No. 819.

*Decided January 27, 1914.*

Supplemental order approving applicant's trust deed and amending original order so as to authorize applicant to use not over 20 per cent of the proceeds of stock therein authorized for supervision, superintendence and other construction expenditures.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL ORDER.

In its order in the above entitled matter, issued by this Commission on November 21, 1913, the applicant was directed to file a copy of its mortgage to the Bank of Rideout, Smith & Company, of Oroville, Butte County, to be executed as security for a note in the sum of \$25,000.00; and a copy of said mortgage having been filed with this Commission on January 21, 1914, in connection with applicant's supplemental application in the above entitled matter and marked "Exhibit A,"

*It is hereby ordered* that said mortgage be and it is hereby approved.

Applicant also asks that the order of this Commission authorizing it to use the proceeds from the sale of its stock be modified so that it may use a portion of such proceeds for necessary expenses in connection with its construction and development and to carry on its business, in the way of salaries for supervision, superintendence, land clearing, repairs, surveys, etc. The company is in what may be called the construction stage, as it is developing lands to be put upon the market.

*It is therefore ordered* that the applicant be given authority to spend a portion of the proceeds to be derived from the sale of 40,780 shares of its stock of the par value of \$1.00 per share for such supervision, superintendence, land clearing and surveys as may be required in connection with the acquisition of additional lands and the development of its irrigation project; the amount to be expended for such engineering, superintendence and surveys not to exceed 20 per cent of said sum of \$40,780.00.

This order is supplemental to and not a substitute for the order issued by this Commission on November 21, 1913.

The foregoing supplemental order is hereby approved and ordered filed as the supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of January, 1914.

## DECISION No. 1229.

IN THE MATTER OF THE APPLICATION OF G. H. BLOWERS  
FOR PERMISSION TO SELL THE REEDLEY WATER  
WORKS TO THE CITY OF REEDLEY, FRESNO COUNTY,  
CALIFORNIA.

---

Application No. 909.

*Decided January 27, 1914.*

---

G. H. Blowers authorized to sell his water plant in the city of Reedley to said city  
for a sum not to exceed \$16,900.00.

*G. H. Blowers*, for Reedley Water Works.

*Chris P. Jensen*, City Engineer, for City of Reedley.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is a joint application of G. H. Blowers, owner of the Reedley Water Works, and the city of Reedley, in Fresno County, California, for an order of this Commission authorizing the said G. H. Blowers to sell to the city of Reedley for the sum of \$16,817.65 the entire water system of the said G. H. Blowers used in supplying the inhabitants of the city of Reedley. A form of deed transferring this property is attached to the application in this proceeding and marked "Exhibit B." In this deed the property to be transferred is described as follows:

*"First*—Lots numbers twenty-nine (29), thirty (30), thirty-one (31) and thirty-two (32) in block number fifty-two (52), according to, and as the same are shown, designated and delineated on that certain map or plat of said town of Reedley, on file and of record in the office of the county recorder of the county of Fresno, State of California, together with the improvements and fixtures thereon.

*"Second*—The water system now belonging to said party of the first part (G. H. Blowers), consisting of tanks and towers, pumps, motors and other machinery, constituting the water works or system for the distribution of water, including all water mains, pipe lines, conduits, service pipes, meters, hydrants, valves and fittings connected therewith, now located in and under all streets, roads, avenues, alleys, squares and rights of way, in said city of Reedley, for the distribution of water from said water works.

*"Third*—All water, water rights and water privileges and appropriations now owned or held by the party of the first part in the city of Reedley, county and state aforesaid.

**“Fourth—All rights, easements, privileges and franchises, including the right to lay, construct, maintain, repair, restore and renew water pipes, pipe lines, conduits, mains, service pipes, meters, hydrants, valves and fittings, now owned or held by the party of the first part in, to, upon, along, under, through or across the streets, roads, avenues, alleys, squares and rights of way hereinbefore described.”**

Chris P. Jensen, the city engineer of the city of Reedley, made an appraisal as of June 17, 1913, of the water system to be transferred. He found the value to be \$16,817.85.

At the hearing upon this application at Reedley on January 13, 1914, this Commission was requested to have its Engineering Department make a valuation of this system. The Commission's Engineering Department has now completed an appraisal of this system and finds the value to be \$16,763.00.

The difference between the valuation found by the Commission's engineers and the valuation found by Mr. Jensen is so slight that I do not believe it is worth comment, or that it is necessary to discuss in detail the items which go to make up the valuation of this system.

I desire, however, to call attention to the fact that in the proposed deed transferring this property provision is made that certain water rights, water privileges and appropriations shall be transferred. Of course, this Commission, in making its valuation of this system has attached no value whatever to any water rights or any water privileges, and must not be understood as having recognized in this proceeding that any value should be attached to such rights or privileges.

The board of trustees of the city of Reedley were present at the hearing and expressed their desire that the application be granted.

I submit herewith the following form of order:

#### ORDER.

G. H. Blowers and the city of Reedley, Fresno County, California, having applied to this Commission for an order authorizing said G. H. Blowers to sell to the city of Reedley a certain water system, the property to be transferred having been set forth in detail in the opinion preceding this order, and a public hearing having been held upon this application, and the Commission being of the opinion that the same should be granted,

*It is hereby ordered* that G. H. Blowers be, and he hereby is, authorized to sell to the city of Reedley, Fresno County, California, for a sum not to exceed \$16,900.00, the water system now owned by him and used to supply the inhabitants of the city of Reedley, which property is described in greater detail in the opinion preceding this order.

*It is further ordered* that prior to the exercise of the authority herein granted the city of Reedley shall file with this Commission a stipulation to the effect that after the property herein authorized to be transferred has been conveyed to the city, the city of Reedley shall give adequate service to all the consumers of said water system.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of January, 1914.

---

DECISION No. 1230.

CHARLES F. FLEMING

*vs.*

PENINSULAR RAILWAY COMPANY.

---

Case No. 496.

*Decided January 28, 1914.*

---

REPORT OF THE COMMISSION.

**ORDER OF DISMISSAL.**

Charles F. Fleming having made written request to this Commission that the complaint in the above entitled proceeding be dismissed,

*It is hereby ordered* that the complaint in the above entitled proceeding be, and the same is, hereby dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 28th day of January, 1914.

---

DECISION No. 1231.

IN THE MATTER OF THE APPLICATION OF ESCALON WATER  
AND LIGHT COMPANY FOR AN ORDER AUTHORIZING  
THE ISSUE OF CAPITAL STOCK OF THE PAR VALUE OF  
NINE THOUSAND TWO HUNDRED AND FORTY DOLLARS.

---

Application No. 925.

*Decided January 27, 1914.*

---

Applicant authorized to issue its stock of the par value of \$9,240.00, proceeds to be used for additions and improvements to applicant's water system in the town of Escalon.

*H. L. McPherson, for Applicant.*

REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application for an order authorizing the issue by Escalon Water and Light Company of capital stock of the par value of \$9,240.00, and to use the proceeds for the purposes hereinafter referred to.

Escalon Water and Light Company was incorporated in August, 1911, for the purpose, among others, of engaging in the business of supplying to the general public in and adjacent to the unincorporated town of Escalon, in San Joaquin County, water "for general use and for extinguishing fires," as well as gas and electric energy. The company has hitherto confined its business to the supplying of water.

Applicant's authorized capital stock consists of the total par value of \$10,000.00, divided into one thousand shares, of the par value of \$10.00 each. There are now outstanding 76 shares, having a total par value of \$760.00. Applicant now asks authority to issue the remaining shares, having a par value of \$9,240.00.

Applicant has no bonded indebtedness. There is no mortgage on its property. Applicant has outstanding a promissory note in the sum of \$3,000.00, payable to the San Joaquin Valley Bank of Stockton, due one day after date, bearing interest at the rate of 7 per cent per annum and bearing the personal endorsement of the directors of the corporation, and also an unsecured note for \$150.00, payable to the Escalon State Bank, due thirty days after date, and bearing interest at the rate of 8 per cent per annum, with no security. Applicant has never paid a dividend.

Escalon Water and Light Company secures its water by pumping from a 6-inch well, about 184 feet deep. The water is pumped to a galvanized tank, having a capacity of some 36,000 gallons and an elevation of some 72 feet. From this tank it is distributed through 6-inch, 4-inch and 2-inch mains, having a total length of some 6,000 feet, to about one hundred customers.

Applicant now asks authority to issue its remaining 924 shares of stock, of the par value of \$10.00 each, at par, without deduction for commissions, and to apply the proceeds thereof for the installation of additional mains and for the completion of its pumping plant and

additions thereto, in the total amount of \$9,240.00. Applicant estimates the necessary expenditures as follows:

5,752 feet of 6-inch mains-----	\$2,300 80
1,745 feet of 4-inch mains-----	5,235 00
1,175 feet of 2-inch mains-----	235 00
Completion of pumping plant and additions thereto-----	1,469 20
Total -----	\$9,240 00

Applicant intends to sell its stock in and about Escalon, largely to persons who desire the service of water on their property and feels confident of its ability to dispose of the stock at par.

I find that the purposes for which the proceeds of said stock are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that the interest of the people of Escalon and vicinity would be subserved by granting the application.

I recommend that the application be granted and submit herewith the following form of order:

#### ORDER.

Escalon Water and Light Company having applied to the Railroad Commission for its order authorizing the issue by said company of its common capital stock to the amount of nine thousand two hundred and forty dollars (\$9,240), par value, and a public hearing having been held upon said application, and the Commission finding that the money to be procured from said issue of stock is reasonably required for the acquisition of property and the construction, completion, extension and improvement of the company's facilities, and that said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Escalon Water and Light Company be and the same is hereby authorized to issue its common capital stock to the amount of nine thousand two hundred and forty dollars (\$9,240), par value, on the following conditions and not otherwise, to wit:

1. Escalon Water and Light Company shall sell said stock so as to net the company, in cash, not less than its par value, without deductions for commissions.

2. The proceeds from the sale of said stock shall be applied only for the installation of water mains and for the completion of the company's pumping plant and additions thereto, as explained in the opinion which precedes this order.

3. Escalon Water and Light Company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale or sales of the stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall

make verified reports to the Commission, stating the sale or sales of said stock during the previous month, the terms and conditions of sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority hereby given to issue stock shall apply only to stock issued on or before January 31, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of January, 1914.

---

DECISION No. 1232.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF SIX HUNDRED AND THIRTY-NINE THOUSAND DOLLARS.

---

Application No. 590.

*Decided January 27, 1914.*

---

Supplemental order authorizing applicant to issue bonds, of the face value of \$16,000.00, covering capital expenditures incurred during the month of December, 1913.

REPORT OF THE COMMISSION.

SEVENTH SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

This is a supplemental application for authority to issue bonds of the face value of \$16,000.00.

On June 30, 1913, this Commission rendered its opinion and order in the above entitled proceeding, authorizing applicant to issue certain bonds, including bonds of the face value of \$459,000.00 on expenditures to be incurred during the year 1913. The present supplemental application is filed for the purpose of securing this Commission's authorization for the issue of \$16,000.00 face value of said bonds for capital expenditures incurred during the month of December, 1913.

A summary of the estimated expenditures during the year 1913, subsequent to November 30, 1913, and of the actual expenditures in



December, 1913, and of the balance to be expended is attached to the application and reads as follows:

## Summary.

	Balance to be expended as of Novem- ber 30, 1913	Expenditures in December, 1913	Balance to be expended
1. Steam power plant equipment.....	\$15,485 23	\$1,016 33	\$44,468 90
2. Electric distribution system.....	31,890 28	12,141 67	19,748 61
3. Gas plant buildings and general struc- tures .....	231 92	454 99	*223 07
4. Gas generators .....	14,794 35	*24 11	14,818 46
5. Purification appliances .....	7,037 56	969 68	6,067 88
6. Water gas sets and accessories.....	7,000 00		7,000 00
7. Accessory equipment at works.....	*19,306 98	2,849 55	*22,156 53
8. Gas distribution .....	137,977 03	6,343 22	131,633 81
9. Gas services .....	29,975 34	2,782 14	27,193 20
10. Gas meters .....	*1,533 85	*2,321 37	787 52
11. Miscellaneous distribution equipment.....	9,236 86	3,403 86	5,833 00
12. General structures .....	436 70	7 30	429 40
13. General shop equipment.....	3,105 14	417 45	2,687 69
14. Contingencies .....	94 22	25 06	69 16
15. Land devoted to gas and electric opera- tions .....		1,497 14	*1,497 14
	\$266,423 80	\$29,562 91	\$236,860 89

\*Overrun over estimated cost.

Under the provisions of applicant's trust deed or mortgage, it is entitled to receive from the trustee, bonds of the face value of 75 per cent of proper capital expenditures. It is evident that the amount of bonds for which this Commission's authority is now requested, being bonds of the face value of \$16,000.00, is less than 75 per cent of the capital expenditures during the month of December, 1913.

I find that the purposes for which the expenditures were incurred during the month of December, 1913, come within the general purposes specified in this Commission's opinion and order dated June 30, 1913, with the exception of certain items as to which the amounts expended have run over the estimates. In these cases, however, the amounts expended are for proper capital purposes and the expenditures should be allowed.

Applicant alleges that it expects to be able to sell its bonds for not less than 85 per cent of their face value.

I recommend that this supplemental application be granted and submit the following form of order:

## SEVENTH SUPPLEMENTAL ORDER.

San Diego Consolidated Gas and Electric Company having applied to the Railroad Commission for the consent of the Commission to the issuance of bonds by said company of the face value of sixteen thousand dollars (\$16,000), said bonds to be included within the general authorization heretofore given by this Commission's order in the above entitled

proceedings, dated June 30, 1913, said bonds to be payable on the first day of March, 1939, and to bear interest at the rate of five (5) per cent per annum, payable semiannually, and secured by a trust deed or mortgage upon all the property of the company; and the Commission finding that the moneys to be procured by the issue of said bonds are necessary to and reasonably required by said company for the discharge and refunding of obligations heretofore incurred for proper capital expenditures, and that said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the Railroad Commission of the State of California hereby authorizes the issue by San Diego Consolidated Gas and Electric Company of sixteen thousand dollars (\$16,000), face value, of bonds of said company, bearing numbers 4060 to 4075, inclusive, maturing the first day of March, 1939, redeemable on March 1, 1914, or on any interest date thereafter at par, accrued interest and a premium of five (5) per cent on the principal thereof, and to bear interest at five (5) per cent per annum, payable semiannually, under and in pursuance of the terms of the deed of trust or mortgage heretofore and on the first day of March, 1909, made and executed by said San Diego Consolidated Gas and Electric Company to Harris Trust and Savings Bank and Los Angeles Trust Company, now known as the Los Angeles Trust and Savings Bank, as trustees, upon the conditions following and not otherwise, to wit:

1. San Diego Consolidated Gas and Electric Company shall sell said bonds hereby authorized so as to net said company not less than eighty-five (85) per cent of the face value of the principal thereof, besides interest accrued thereon.

2. San Diego Consolidated Gas and Electric Company shall apply the proceeds from the sale of said bonds only for the purpose of discharging and refunding indebtedness incurred for capital expenditures made during the month of December, 1913, as those expenditures are set out in the opinion which precedes this order.

3. San Diego Consolidated Gas and Electric Company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission stating the sale or sales of said bonds during the previous month, the terms and conditions of sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

4. San Diego Consolidated Gas and Electric Company shall file with this Commission certified copies of the statements or certificates to be

filed by it with the trustees under its said trust deed, on which statements or certificates it expects to receive from the trustees the bonds hereby authorized to be issued.

5. The authority hereby given to issue bonds shall apply only to bonds issued by said company on or before the 28th day of February, 1914.

The foregoing seventh supplemental opinion and order are hereby approved and ordered filed as the seventh supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of January, 1914.

---

DECISION No. 1233.

IN THE MATTER OF THE APPLICATION OF THE LOS ANGELES AND SAN DIEGO BEACH RAILWAY COMPANY FOR PERMISSION TO PUT INTO EFFECT TIME-TABLES SUPERSEDING PREVIOUS TIME-TABLES.

---

Application No. 926.

*Decided January 28, 1914.*

---

Application of the Los Angeles and San Diego Beach Railway Company for permission to put into effect a revised time-table, reducing the number of trains operated daily between San Diego and La Jolla, denied.

*Leovy & Leovy*, for Applicant.

*H. C. Gardiner*, for Pacific Beach Citizens' Club and La Jolla Chamber of Commerce, Protestants.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This application came on regularly for hearing at San Diego, January 10, 1914. The affairs of applicant, the Los Angeles and San Diego Beach Railway Company, had been before the Commission upon three separate occasions prior to the hearing of the present application, the first time being when Case No. 265, *Frank Williams and John W. Hannay vs. Los Angeles and San Diego Beach Railway Company* was heard and decided by the Commission. In this case the passenger and freight rates of the Los Angeles and San Diego Beach Railway Company were called into question as being unreasonable, and the Commission, in its decision, held in part:

That there was no satisfactory evidence to sustain the complaint as to defendant's freight rates and dismissed the complaint, in so far as it attacked such rates.

That certain adjustments of passenger rates should be made which would result in a reduction, but which, in the judgment of the Commission, would increase rather than decrease the revenues and net profits of the road.

That the equipment of the Los Angeles and San Diego Beach Railway Company was out of date and inadequate to give efficient service, but that in view of the very evident need for electrifying the railroad no order should be made concerning the acquisition of new equipment.

The opinion preceding the order also contains the following:

"If after one year's trial, it appears that the effect of the order in this case has been to reduce defendant's revenue, defendant may then, if it so desire, apply to this Commission for relief."

Case No. 265 was decided August 23, 1912. Later, this road was again before the Commission, asking for a supplemental order respecting stoppage of trains and publication of passenger tariffs, which supplemental order was issued under date of September 30, 1912, putting into effect certain rates in lieu of certain other rates which had been ordered in by the Commission's order of August 23, 1912, and also regulations as to certain other changes in its stopping of trains and publishing of tariffs, which need not be commented upon here.

The third time that the Los Angeles and San Diego Beach Railway Company was before the Commission was in Case No. 455, upon the complaint of B. B. Harlan et al., which complaint alleged that the service upon the line of said Los Angeles and San Diego Beach Railway Company had become more and more inadequate, in that the arrival and departure of trains had become more and more unreliable; that the cars were habitually overcrowded, many passengers being compelled to ride upon the platform and steps; that the equipment and rolling stock of said road is in a broken and worn-down condition; that the steam engines are frequently out of order; that the gasoline cars of said road are especially inefficient for the service, and that the roadbed of said road is in an unfit condition, and unsafe for the transportation of passengers and freight, and that the service generally given by the Los Angeles and San Diego Beach Railway Company was inadequate, inefficient and not in any respect such service as the public should be entitled to.

This case was heard in San Diego, November 26, 1913, and the opinion and order therein was rendered December 20, 1913.

As has been before stated, the opinion and order in Case No. 265 called attention to the necessity for electrifying this road and advised that no order be issued requiring defendants to invest further capital for equipment until the road had been electrified.

The opinion and order in Case No. 455 confirmed the decision reached in Case No. 265, and in the order required the Los Angeles and San

Diego Beach Railway Company to, within a specified time, apply to the common council of San Diego for a renewal of its franchise, which expires in 1918, and to immediately take steps looking to the electrifying of this road.

Shortly after the opinion and order in Case No. 455 were issued, the Los Angeles and San Diego Beach Railway Company filed the present application with the Commission, in which application it asks permission to change its present time-tables to the extent of reducing the number of passenger trains daily in each direction between La Jolla and San Diego from ten trains in each direction on week days to eight trains in each direction, and from eleven trains on Sunday in each direction to eight trains in each direction. The following is an outline of the present time-table in effect, showing week day service and Sunday service:

Present Week Day Time-table.											
	a.m.	a.m.	a.m.	a.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Lv. La Jolla-----	6.10	7.10	8.15	10.00	12.10	1.15	3.55	4.10	5.30	7.20	
Arr. San Diego-----	7.00	7.50	9.01	10.10	1.00	1.55	3.45	4.55	6.12	8.00	
Lv. San Diego-----	7.10	9.00	10.00	11.00	1.15	2.15	4.10	6.35	11.00	5.20	
Arr. La Jolla-----	8.05	9.45	10.45	11.45	2.00	3.00	4.55	7.20	11.45	6.05	

Present Sunday Time-table.											
	a.m.	a.m.	a.m.	a.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Lv. La Jolla----	7.45	8.15	9.00	10.00	12.10	1.15	2.30	4.10	4.50	5.30	7.20
Arr. San Diego--	8.25	9.25	9.45	10.40	1.00	1.55	3.10	4.55	5.30	6.12	8.50
Lv. San Diego----	7.45	9.00	10.00	11.00	11.20	1.15	2.15	3.20	5.20	6.35	11.00
Arr. La Jolla----	8.33	9.45	10.45	11.45	12.05	2.00	3.00	4.05	6.05	7.20	11.45

Below is an outline showing the proposed new time-table which the company desires to place in effect for all service, week days and Sundays:

Proposed Time-table—Week Days and Sundays.											
	a.m.	a.m.	a.m.	p.m.	p.m.	p.m.	p.m.				
Lv. La Jolla-----	6.55	8.00	10.15	12.15	2.30	4.30	5.45				
Arr. San Diego-----	7.40	8.45	11.10	1.00	3.25	5.20	6.30				
Lv. San Diego-----	7.45	9.20	11.15	1.45	3.45	5.30	6.45				
Arr. La Jolla-----	8.30	10.10	12.00	2.30	4.30	6.15	7.30				

In addition the company proposes to run a Saturday night theatre train, leaving La Jolla 7.30 p. m., arriving San Diego 8.20 p. m.; returning, leave San Diego 11.00 p. m., arriving at La Jolla 11.45 p. m.

In addition to trains shown in the above outline of its present timetable as running during the week, the railroad company at present operates a train which leaves San Diego at 9.15 p. m., arriving at La Jolla at 10.00 p. m. on Saturdays only. In the opposite direction, on Saturdays only, a train leaves La Jolla at 10.00 p. m., arriving at San Diego at 10.43 p. m. The railroad company also asks permission to discontinue these two Saturday night trains.

At the hearing which was held in San Diego, January 10, 1914, considerable testimony was introduced by the railroad company to show that it was operating at a loss. The company showed that during the first four months of the fiscal years 1913 and 1914, it met with a net loss of \$1,612.29, as against a net profit of \$5,787.43 for the same period in the year 1912. Unquestionably, some of this loss was due to the fact that the midday tourist travel was not as heavy in 1913 as in 1912, but it is equally true that no road can be conducted in the manner which the testimony shows that this road has been conducted, with the worn out, inefficient equipment used on this road, resulting in inability to operate on time-table schedules without suffering a diminution in passenger traffic.

The testimony shows that people who have formerly lived along this road have moved away on account of inefficient service, and that others are contemplating doing so.

Witnesses in behalf of the railroad company testified that the cost per trip of operation of all of its passenger trains between La Jolla and San Diego was \$11.26, and that the average gross earnings per trip were \$10.21.

The railroad company seeks to offset this loss by decreasing the number of trains as outlined hereinbefore. The time-table which the petitioner proposes to put in operation will result in consolidating the first three morning trains in each direction into two morning trains in each direction; in consolidating the first two afternoon trains from San Diego into one train; in consolidating the second and third afternoon trains from La Jolla into one train, and in eliminating all night trains except on Saturday night, when it is proposed to run a theatre train leaving San Diego at 11.00 p. m.

It is claimed by the railroad company that the elimination and consolidation of these trains, as described hereinbefore, will enable them to save between \$800.00 and \$1,000.00 per month in operating expenses, for the reason that it will enable them to operate with a decrease in the number of crews employed in the service. It will further enable them

to eliminate the use of gasoline motor cars with the exception of one trip daily in each direction.

The representatives of the company advance as their reasons for desiring to eliminate the gasoline motor cars the fact that the motor cars have proven unreliable and unsatisfactory, and, further, that their expense per train mile is greater in the operation of motor cars than the expense per train mile in operating their light steam trains. Testimony was introduced to show that the operation of the steam trains in cost per train mile is, as a fact, cheaper than the operation of the gasoline motor cars.

The railroad company further advance as a reason for desiring to decrease the service, their hope to make the operation of the railroad show a profit, in order that they may be able to better float a bond issue for their proposed electrification of the line.

Many of the patrons of this road appeared at the hearing and protested against this reduction in service, and again, as in Cases Nos, 265 and 455, complained bitterly of the character of the service rendered by this road.

While it was the opinion among the protestants that no reduction whatever should be made in the train service, counsel for protestants stated that perhaps no serious harm would result from a reduction of trains at certain intervals of the day other than the early morning or evening hours, and submitted a schedule which he asked the Commission to consider should the Commission believe that any reduction in the number of trains should be made.

#### **Schedule Proposed by Protestants.**

##### **FROM SAN DIEGO.**

- 7.10 a. m. To accommodate mechanics and working men living in San Diego, engaged at La Jolla and Pacific Beach.
- 9.20 a. m. Regular tourist train.
- 11.15 a. m. Freight and passenger.
- 2.15 p. m. Pupils and teachers returning from San Diego.
- 4.10 p. m. The most popular afternoon train.
- 5.30 p. m. Business men returning and would connect with Santa Fe Railroad.
- 6.45 p. m.
- 9.30 p. m.
- 11.30 p. m. The only night train for theatre patrons, etc.

##### **FROM LA JOLLA.**

- 6.05 a. m. Patrons working in San Diego, of which there are more than twenty at the present time.
- 7.05 a. m. Pupils and teachers.
- 8.10 a. m. Business men.
- 10.15 a. m. Most popular train for shoppers.
- 12.10 p. m. Mail and freight.
- 2.00 p. m. Santa Fe connection.
- 4.45 p. m. Workmen returning to San Diego.
- 6.30 p. m. The only evening train out of La Jolla.

This schedule, recommended as a compromise by the protestants, could not be carried out by the railroad company so as to effect any saving over the present time-table. This is due to the fact that the railroad company employs but a limited number of train men, and to carry out this schedule would require just as many employees as are used with the present time-table.

Our service engineer went over very carefully with the superintendent all other possible schedules, and was unable to determine that any schedules could be put on which would properly serve the interest of the community and at the same time save the railroad company enough to warrant its installation.

It is apparent that the income of the Los Angeles and San Diego Beach Railway Company has been reduced to its present proportions, and that different causes have contributed to that effect. It is clearly evident that the company is confronted with the problem of removing, so far as in its power, those causes, and of so stimulating its business as to again realize a profit on its operation.

As has been twice before stated by this Commission, the solution of this problem is to electrify the road, and at the hearing of this application the Commission was informed that its order as to this company applying for a franchise and taking steps to electrify its road would be obeyed.

There is no question but what the public is entitled to adequate and efficient service. It is equally true that this utility is entitled to earn fair returns upon its investment. The year during which the company should keep the rates provided in Case No. 265 in effect has passed, and the testimony in this hearing is uncontroverted that the road is now losing money, and under the decision in Case No. 265 is justified in applying to the Commission for relief; but I do not believe that such relief should take the form of reducing the number of trains, thereby further impairing the service given to the patrons of this road.

Indeed, it is my belief that the reduction in train service prayed for will not result in enabling the company to operate its passenger service without a loss. An analysis of the statement of operation of train No. 1, July 1, 1912, to December 22, 1913 (see applicant's Exhibit 1), and also an analysis of a portion of applicant's Exhibit 2, showing cost per train mile, will throw some light on this subject. Train No. 1 is a commuters' train which arrives in San Diego at 7.00 a. m. and accommodates working people who have to be in San Diego at 7.00 o'clock or immediately thereafter. This train is patronized by an average of nine commuters daily. The earnings of this train, shown in the period July, 1912, to December, 1913, vary from a maximum of \$3.19 per trip to a minimum of \$1.74 per train, with, on the whole, but very little variation in the patronage of the train, indicating



that the present depression of business has not affected this class of travel. The railroad company plainly showed in Exhibit 2 that its cost per trip to operate this train is \$11.26. In the same statement, Exhibit 2, it is shown, however, that the actual saving in removal of the train will be but \$7.04 per trip. In other words, its actual loss in operating the train, assuming that its average earnings are \$2.25 per trip, would be but \$4.70. Thus it appears that to save \$4.79 the railroad company proposes to remove this train, which is undoubtedly a necessary train to the community. It is my belief that the removal of this train would indirectly result in injury to the community, which would cause the railroad company to at least fail to accomplish the result they desire by the removal of the train. The overhead costs which are not affected by the removal of the train would simply be transferred to the remaining train service, making a greater cost per trip; a few families, at least, would be compelled to move from La Jolla to San Diego; and the railroad company would lose their patronage and would suffer a corresponding loss from freight shipments and travel incident to the residence of these families on their line. The same analysis can be applied to any of the other trains which the applicant proposes to remove.

It is my belief that the railroad company should not be permitted to reduce its service in any way at this time. It is manifest, however, that it can not continue to endure a loss in the operation of the property. It is well within its rights in having recourse to an application to the Commission to have its rates reviewed, and should it develop at the hearing of such application for a review of its rates that its present operation, at a loss, results from causes other than the unsatisfactory and inefficient manner in which its road is operated, the Commission may well consider granting such relief as may seem right and proper under the circumstances.

The present time-table which was put on in the month of June, 1912, increasing the service, has greatly stimulated the gross operating revenue of the railroad company. This is shown in the following statement:

Year 1911, gross operating revenue-----	\$63,304 00
Year 1912, gross operating revenue-----	76,984 00
Year 1913, gross operating revenue-----	87,892 00

The reduction in rates and addition to service, however, are reflected in the railroad company's net revenues, which are shown in their annual statement, as follows:

Year 1911, net revenue-----	\$13,635 00
Year 1912, net revenue-----	20,563 00
Year 1913, net revenue-----	19,611 00

The increase in operating revenue may be attributed to three causes—

*First*—A general increase in business;

*Second*—The increased passenger service installed in 1912; and

*Third*—The decrease in passenger rates established in 1912, which stimulated the passenger business.

That the effect, however, of some or all of these causes did not continue is evidenced by the fact that the net revenue in 1913 was not as great as it was in 1912, unless that be accounted for by increased cost in operation.

It is our belief, as has been said, that the entire solution of the difficulties in the operation of this railroad, so far as the rendering of proper service and the earning of reasonable returns of the property are concerned, lies in the electrification of the line. Suburban service can not be rendered with steam railroad equipment in a community which has but 2,500 to 3,000 population, which will result in satisfying the people and at the same time pay the cost of operation.

There is but little doubt that as soon as it is made apparent by the railroad company that it is acting in good faith and will electrify its road, and when it becomes known that a bond issue has been authorized, an increase in the business in the community will at once become apparent before electrification actually takes place. It is safe to predict that a large increase in passenger travel will be experienced when the electrification is finally accomplished.

I have caused a careful investigation to be made as to the cost of operation of this railroad and find that the costs per train mile are reasonably low, and in fact are somewhat lower than usual for the operation of railroads of this kind, viz, short steam operated railroads. I am further convinced that the operation after electrification, with the present conditions in travel, would but slightly increase the gross cost of operating the line, although many additional trains will be run. Our service engineer estimates roughly that the railroad company can operate hourly service, eighteen hours per day, at an operating expense of approximately \$75,000.00. It is impossible, of course, to give accurate figures on this subject until after a bond issue has been floated. The operating revenue during the fiscal year 1913 was \$87,892.00. It is safe to say that with electrification this gross operating revenue would at least be no less. The probabilities are that it would increase by at least 50 per cent the first year.

I recommend and find as a fact that no change should be made in the present time-table; that applicant should give to its patrons the best possible service under present conditions and that it may make application to the Commission for a readjustment of its rates after a careful investigation of the loss resulting from operation under present

rates, and further that applicant proceed with the electrification of the railroad as early as possible.

I recommend the following order:

**ORDER.**

The Los Angeles and San Diego Beach Railway Company having applied to the Commission for permission to put into effect certain time-tables which would result in a reduction of the number of trains now run on its road, and the Commission having thoroughly investigated the matters and things involved in the application, considering in such investigation not only the interest of the public but of applicant as well, and believing and having found as a fact that such permission to change time-tables as prayed for in the application should be denied, and that applicant should proceed immediately with the electrification of its road, and that to reimburse it for loss under its present operation applicant may apply for a readjustment of its rates,

*It is hereby ordered* that the application of the Los Angeles and San Diego Beach Railway Company to reduce its service, as prayed for in the application, be denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of January, 1914.

---

DECISION No. 1234.

LUCY BOSHIER LONG

*vs.*

HARRY R. ATWOOD.

---

Case No. 505.

*Decided January 28, 1914.*

---

REPORT OF THE COMMISSION.

**ORDER DENYING APPLICATION FOR REHEARING.**

The complainant in the above entitled case having filed her application for a rehearing in the above entitled proceeding, and no good cause appearing therefor,

*It is hereby ordered* that said application be and the same is hereby denied.

Dated at San Francisco, California, this 28th day of January, 1914.

DECISION No. 1235.

JOHN F. ESCHER

*vs.*

HARRY R. ATWOOD.

---

Case No. 521.

*Decided January 28, 1914.*

---

REPORT OF THE COMMISSION.

ORDER DENYING APPLICATION FOR REHEARING.

The complainant in the above entitled case having filed his application for a rehearing in the above entitled proceeding, and no good cause appearing therefor,

*It is hereby ordered* that the said application be and the same is hereby denied.

Dated at San Francisco, California, this 28th day of January, 1914.

---

DECISION No. 1236.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF CAMINO, PLACERVILLE AND LAKE  
TAHOE RAILROAD COMPANY, WITHIN THE STATE OF  
CALIFORNIA, AS OF JUNE 30, 1912.

---

Case No. 183.

*Decided January 28, 1914.*

---

Proceedings on Commission's own initiative to ascertain various elements entering into the value of respondent's property. Findings made as to facts but not on the question of the value of the property, irrespective of the purposes for which the value is ascertained. Opinion and findings in Case No. 206 referred to for procedure in valuation cases.

*Findings of fact:* (1) That the reproduction value of the operative physical property of respondent as of June 30, 1912, is the sum of \$173,862.13; (2) That the present value of the operative physical property of respondent as of June 30, 1912, is the sum of \$135,783.86.

---

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This proceeding was brought on the Railroad Commission's initiative for the purpose of ascertaining various elements entering into the

value of the property of the Camino, Placerville and Lake Tahoe Railroad Company. For the general procedure in these so-called valuation cases and for a general description of the work performed by this Commission's engineering department in such cases, reference is hereby made to this Commission's opinion and findings in Case No. 206, being in the matter of ascertaining the value of the Stockton Terminal and Eastern Railroad Company. As in that case, so here also, will findings of fact be made, and findings will not be made on the elusive question of the value of the property, irrespective of the purposes for which it is ascertained.

At the outset I wish to define certain terms which will be used in this opinion.

The term "original cost," as used in this opinion, means the original book cost, being the actual expenditures chargeable to capital account in accordance with the classification of expenditures for road and equipment, as prescribed by the Interstate Commerce Commission for steam roads, made by the railroad company for its operative property in the State of California, as of June 30, 1912.

The term "reproduction value," as used in this opinion, means the estimated cost in cash of acquiring the operative right of way and other real estate and of reproducing, in the condition in which it was acquired, the other physical property of the railroad company in the State of California, as of June 30, 1912, to which are added overhead expenditures for engineering, law, interest and commissions, and similar items.

The term "present value," as used in this opinion, means the "reproduction value" less the diminution in value of the physical elements of the property, due to use, age, obsolescence, inadequacy and other causes, plus appreciation where found. This might properly be called "depreciated reproduction value," and does not mean the ultimate fact of present value, as that term is ordinarily used.

In accordance with this Commission's order dated March 11, 1912, the Camino, Placerville and Lake Tahoe Railroad Company on August 2, 1912, filed an inventory of its property, together with a statement of its reproduction value and present value, which is attached to this opinion and marked Exhibit "A."

On September 23, 1912, this Commission's engineering department submitted its detailed report in the above proceeding, a copy of the final summary sheet whereof, as presented on said day, is attached hereto and marked Exhibit "B."

A hearing was held before the Commission in this proceeding on December 9, 1913. With the notice of the hearing the company was

furnished a complete copy of the report of the engineering department above referred to. When the case was called no representative of the Camino, Placerville and Lake Tahoe Railroad Company appeared before the Commission to contest or question this report, but the company had notified the Commission by telegram that the valuation would not be contested by them.

As usual in these valuation proceedings I shall, in connection with this inquiry, consider the following matters:

1. Organization, construction and operation.
2. Stocks and bonds.
3. Revenues.
4. Original cost.
5. Reproduction value.
6. Present value.

**1. Organization, construction and operation.**

The Camino, Placerville and Lake Tahoe Railroad Company was incorporated on December 23, 1911, under the laws of the State of California, by Mr. C. D. Danaher of Tacoma, Washington.

Mr. Danaher purchased at auction a railroad known as the Placerville and Lake Tahoe Railway, and transferred the property to the Camino, Placerville and Lake Tahoe Railroad Company for the consideration of all of its authorized issue of capital stock (\$100,000), and all of its authorized issue of bonds (\$100,000).

It is impossible to accurately record the early corporate history and financial transactions of the original corporation. This is due principally to the loss of all of the company's books and records in the San Francisco disaster of April, 1906.

The company was also very closely affiliated, by interlocking directorates, with the California Safe Deposit and Trust Company and the El Dorado Lumber Company. The former has been in the hands of a receiver since January, 1908, and the latter has passed out of existence through foreclosure and sale by the receiver of the California Safe Deposit and Trust Company. The Placerville and Lake Tahoe Railway was sold with the El Dorado Lumber Company, for the reason that the two institutions were so mutually dependent that the one could not be successfully operated without the other. When the lumber company was closed down in 1909, by its creditors, the railway necessarily ceased operations, thereby forfeiting its charter, and both institutions remained inactive for about three years, during which time the properties were extensively advertised for sale, and finally disposed of to the present company in January, 1912.

The original Placerville and Lake Tahoe Railway was constructed by the El Dorado Lumber Company in 1904, as a standard gauge steam railroad, to run between Placerville and Camino, both in El Dorado County, a distance of 8.05 miles.

The principal purpose of the Camino, Placerville and Lake Tahoe Railroad is to transport the products of the C. D. Danaher Pine Company from the mill at Camino to Placerville, where a connection with the Southern Pacific Placerville branch line is made. At Camino the railroad connects with the narrow gauge lumber and logging railroad owned by the Danaher Pine Company, which transports the timber from the forest to the mill. The Camino, Placerville and Lake Tahoe Railroad Company handles practically no commercial freight and does no passenger business other than the traffic in connection with the lumber company.

## 2. Stocks and bonds.

The company has outstanding capital stock to the par value of \$100,000.00, and an issue of first mortgage bonds to the par value of \$100,000.00. The date of issue was October 1, 1911, and the bonds will mature on October 1, 1921, and bear interest at the rate of 6 per cent per annum. The entire issue is outstanding. The bonds are secured by a first mortgage on the entire property of the Camino, Placerville and Lake Tahoe Railroad Company. The amount of capitalization per mile of line (8.05 miles), is, therefore, as follows:

Capital stock.....	\$12,422 00
Funded debt.....	12,422 00
Total .....	\$24,844 00

## 3. Revenues and expenses.

The books of the company were not opened until May 1, 1912, for which reason no traffic statistics are available for the date of the valuation—June 30, 1912.

The company's annual report to this Commission, for the year ending June 30, 1913, shows operating revenues and expenses as follows:

Total operating revenues.....	\$10,008 37
Total operating expenses.....	16,741 83
Net deficit.....	\$6,733 46

This showing indicates a ratio of operating expenses to operating revenues of 167.27 per cent. Eighty-three per cent of all operating revenues is represented by revenues from the haul of lumber and other products of forests. The company carried forward from the year ending June 30, 1912, an operating deficit of \$3,071.25, resulting in a total deficit on June 30, 1913, of \$9,804.71. This showing would

indicate that the company operates with a heavy loss. It should be explained, however, that this loss is more apparent than real. The revenues of the company, are, of course, entirely dependent upon the rates on lumber. If these rates are low, the railroad company's revenues are low, while the profits to the lumber company are correspondingly increased, and vice versa.

**4. Original cost.**

All books and records that may have been kept by the original company were lost in the San Francisco fire of April, 1906, as stated heretofore, and for this reason it was impossible to ascertain this item.

**5. Reproduction value.**

The reproduction value estimates presented by the railroad company (see Exhibit "A") is \$137,906.58. The reproduction value as estimated by this Commission's engineering department is \$173,862.13. It should be stated, however, that the inventory of property submitted to the Commission by the railroad company is so incomplete that a fair comparison of the above two values can not be made, for the reason that the valuation made by the Commission's engineering department includes a considerable amount of property that was either overlooked or undervalued by the engineers making the appraisal for the company.

As noted before, the company accepted this Commission's engineering department's valuation, and I find the "reproduction value," as that term is herein defined, of the operative property of the Camino, Placerville and Lake Tahoe Railroad Company, in the State of California, as of June 30, 1912, to be the sum of \$173,862.13.

**6. Present value.**

The present value, as reported by the company, and shown in Exhibit "A," is \$115,074.67. The same item, as ascertained by this Commission's engineering department, is \$135,783.86. What was said with reference to the company's valuation under the heading "reproduction value" pertains to "present value" also. The present value in Exhibit "A" can not be compared with the same item in Exhibit "B," on account of the incompleteness of the company's valuation. I find that the "present value," as that term is herein defined, of the operative property of the Camino, Placerville and Lake Tahoe Railroad Company, in the State of California, as of date June 30, 1912, is the sum of \$135,783.86.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of January, 1914.



## EXHIBIT "A."

Name of owner, Camino, Placerville and Lake Tahoe Railroad Company; operating company, same; from Camino to Placerville, miles main line track, 8.  
Valuation as of June 30, 1912, C. D. Danaher, Field Inspector, E. E. Hamilton, Office Compiler; date compiled, July 31, 1912.

CLASS No.	Form No.	I. C. C. Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....		\$25,000 00		\$25,000 00
2	2	3	Real estate.....				
3	3	4	Grading.....		40,000 00		40,000 00
4	4	5	Tunnels.....				
5	5	6	Steel bridges and trusses.....				
6	6	6	Pile and frame trestles.....		14,016 79		5,606 72
7	7	6	Culverts.....		356 49		142 00
8	8	7	Ties.....		9,216 00		3,686 40
9	9	8	Rails.....		18,836 00		18,836 00
10	10	9	Frogs and switches.....		700 00		420 00
11	11	10	Track fastenings and other material.....		2,985 00		1,790 00
12	12	11	Ballast.....				
13	13	12	Tracklaying and surfacing.....		8,000 00		8,000 00
14	14	13	Roadway tools.....		171 15		102 30
15	15	14	Fencing right of way.....		206 50		123 90
16	16	15	Crossings and signs.....		430 00		184 00
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....				
20	20	18	Station buildings and fixtures.....				
21	21	18	Platforms, walks, paving and curb.....		20 50		16 40
22	22	19	General office buildings and fixtures.....				
23	23	20	Shop buildings and engine houses.....		1,000 00		800 00
24	24	20	Transfer and turntables, cinder pits, etc.....				
25	25	20	Miscellaneous shop buildings and structures.....				
26	26	21	Shop machinery and tools.....				
27	27	22	Water stations.....		65 00		50 00
28	28	23	Fuel stations.....				
29	29	24	Grain elevators.....				
30	30	25	Storage warehouses.....		800 00		640 00
31	31	26	Dock and wharf property.....				
32	32	27	Electric light plants.....				
33	33	28	Electric power plants.....				
34	34	29	Electric power transmission.....				
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....				
37			Total classes 1 to 36, inclusive.....				
38	37	32	Engineering, .. per cent, 1 to 36, inclusive.....				
39	38	33	Transportation of men and material.....				
40	38	34	Rent of equipment.....				
41		35	Repairs of equipment.....				
42		35	Earning and operating expenses during construction.....				
43		35	Injuries to persons.....				
43		36	Cost of road purchased.....				
44	39	37	Total classes 1 to 43, inclusive.....		\$15,000 00		\$9,000 00
45		38	Steam locomotives.....				
46	40	39	Electric locomotives.....		400 00		240 00
47	41	40	Passenger train cars.....		250 00		150 00
48	42	41	Freight train cars.....		400 00		240 00
49	43	42	Work equipment.....				
50		43	Floating equipment.....				
51	44	44	Total classes 1 to 49, inclusive.....				
52	44	45	Law expenses, .. per cent, classes 1 to 36, inclusive.....				
53	45	46	Stationery and printing.....	\$6 75	\$6 75		\$6 75
54		47	Insurance.....	16 40	16 40		9 60
55		48	Taxes.....				
56		48	Total classes 1 to 53, inclusive.....				
57	46	49	Interest and commission, .. per cent, classes 1 to 53, inclusive.....				
58		50	Other expenditures.....				
59		51	Contingencies, .. per cent, classes 1 to 53, inclusive.....				
60		52	Stores and supplies on hand for use in California.....				
61		53	Grand total.....		\$137,906 58		\$115,074 67
62		54	Average per mile for main line track.....		\$17,238 32		\$14,384 33

## EXHIBIT "B."

Name of owner, Camino, Placerville and Lake Tahoe Railroad Company; operating company, same; division, El Dorado County, from Camino to Placerville; miles main line track, 8.05; miles yard track, etc., .94; total, 8.99.  
Valuation, as of June 30, 1912; M. M. Cooke, Field Inspector; date compiled, June 30, 1913.

Class No.	Form No.	C. C. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds		\$8,766 45	100	\$8,766 45
2	2	3	Real estate				
3	3	4	Grading		49,651 83	109	54,326 76
4	4	5	Tunnels				
5	5	6	Steel bridges and trusses		1,422 41	50	711 21
6	6	7	Pile and frame trestles		23,834 79	40	9,533 92
7	7	8	Culverts		1,874 76	25	468 89
8	8	9	Ties		9,595 44	30	2,878 62
9	9	10	Rails		31,465 99	74	23,177 80
10	10	11	Frogs and switches		1,172 42	71	832 41
11	11	12	Track fastenings and other material		4,838 30	67	3,256 72
12	12	13	Ballast				
13	13	14	Tracklaying and surfacing		9,106 30	64	5,828 04
14	14	15	Roadway tools		175 43	60	104 86
15	15	16	Fencing right of way		1,467 02	65	953 57
16	16	17	Crossings and signs		745 89	50	376 18
17	17	18	Interlocking plants				
18	18	19	Signal apparatus				
19	19	20	Telegraph and telephone lines		691 14	65	449 25
20	20	21	Station buildings and fixtures				
21	21	22	Platforms, walks, paving and curb				
22	22	23	General office buildings and fixtures				
23	23	24	Shop buildings and engine houses		839 48	75	629 61
24	24	25	Transfer and turntables, cinder pits, etc.				
25	25	26	Miscellaneous shop buildings and structures				
26	26	27	Shop machinery and tools				
27	27	28	Water stations		358 75	50	179 38
28	28	29	Fuel stations				
29	29	30	Grain elevators				
30	30	31	Storage warehouses				
31	31	32	Dock and wharf property				
32	32	33	Electric light plants				
33	33	34	Electric power plants				
34	34	35	Electric power transmission				
35	35	36	Gas producing plants				
36	36	37	Miscellaneous structures		809 34	75	607 00
37	37	38	Total classes 1 to 36, inclusive		\$146,815 74	77	\$113,080 47
38	38	39	Engineering, 5 per cent, 1 to 3, inclusive		6,902 46	100	6,902 46
39	39	40	Transportation of men and material				
40	40	41	Rent of equipment				
41	41	42	Repairs of equipment				
42	42	43	Earning and operating expenses during construction				
43	43	44	Injuries to persons				
44	44	45	Cost of road purchased				
45	45	46	Total classes 1 to 43, inclusive		\$153,718 20	78	\$119,982 93
46	46	47	Steam locomotives		12,120 00	68	8,241 00
47	47	48	Electric locomotives				
48	48	49	Passenger train cars		404 00	60	242 40
49	49	50	Freight train cars		252 50	60	151 50
50	50	51	Work equipment		404 00	50	202 00
51	51	52	Floating equipment				
52	52	53	Total classes 1 to 49, inclusive		\$166,898 70	77	\$128,820 43
53	53	54	Law expenses, 1 per cent, classes 1 to 3, inclusive		1,380 49	100	1,380 49
54	54	55	Stationery and printing, included in engineering				
55	55	56	Insurance, included in "Other expenses"				
56	56	57	Taxes, included in "Other expenses"				
57	57	58	Total classes 1 to 53, inclusive		\$168,279 19	77	\$130,200 92
58	58	59	Interest and commission, 3 per cent, classes 1 to 3, inclusive		4,785 38	100	4,785 38
59	59	60	Other expenditures, $\frac{1}{2}$ per cent, classes 3 to 53, inclusive		797 56	100	797 56
60	60	61	Contingencies, 1 per cent, classes 1 to 53, inclusive				
61	61	62	Stores and supplies on hand for use in California				
62	62	63	Grand total	Unknown	\$173,862 13	78	\$135,783 86
63	63	64	Average per mile for main line track		21,598 00		16,898 00

## DECISION No. 1237.

W. T. LUCOT

*vs.*

SOUTHERN PACIFIC COMPANY.

Case No. 439.

*Decided January 30, 1914.*

## REPORT OF THE COMMISSION.

## OPINION ON APPLICATION FOR REHEARING.

ESHLEMAN, *Commissioner*.

This case was duly heard and decided, and the complaint against the rates involved was dismissed except as to the rate on crude oil from Bakersfield to Ione and Valley Springs, and a rate of \$2.30 was ordered in for this movement.

The matters set up in the application for rehearing were fully considered when the case was before the Commission, and I see no merit in the application for rehearing and recommend that it be denied.

I submit the following order:

## ORDER.

The foregoing case having been heard and a decision heretofore rendered, and an application for rehearing filed in the time provided by law: and it appearing that no good ground is set forth for granting said application for rehearing,

*It is hereby ordered* that the said application for rehearing be, and the same is, hereby denied.

The foregoing opinion and order on application for rehearing are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of January, 1914.

## DECISION No. 1238.

IN THE MATTER OF THE APPLICATION OF ECONOMIC GAS  
COMPANY FOR AN ORDER APPROVING AN ISSUE OF  
BONDS OF SAID CORPORATION OF THE FACE VALUE  
OF NINE HUNDRED AND THIRTY THOUSAND DOLLARS.

---

Application No. 500.

*Decided January 30, 1914.*

---

Supplemental order approving applicant's plan of refinancing in which applicant proposes to recast its stock and bonds and exchange certain of its preferred stock for certain of its bonds, now outstanding.

*Held*, Applicant authorized (1) to issue \$377,500.00 of its first preferred stock and \$150,000.00 of its second preferred stock, and to exchange same for bonds of the face value of \$591,000.00; (2) to issue and place with trustees \$122,500.00 of its first preferred stock, to be sold only under the approval of the Commission; (3) to issue \$262,000.00 face value of bonds to be placed with trustees, proceeds to be expended for additions and betterments, only after such expenditures have been approved by the Commission; (4) to issue \$365,000.00 face value of bonds and place same with Mercantile Trust Company, to be issued only under the authority and terms hereafter prescribed by the Commission.

*Chickering & Gregory*, for Applicant.

*Lucius P. Green*, for certain consumers, Protestants.

*Herbert P. Goudge and Paul Overton*, for Los Angeles Gas and Electric Corporation, Protestant.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL OPINION.

*ESHLEMAN, Commissioner.*

This case was before the Commission and decided on July 10, 1913, wherein the Commission found that \$635,000.00 of a supposed bond issue of \$930,000.00 was illegally issued. Of the \$635,000.00 illegally issued, but actually outstanding, the Commission approved the issue of \$270,000.00, the money derived from the sale thereof to be applied to the liquidation of an indebtedness in the sum of \$233,792.05. The remaining \$365,000.00 of the \$930,000.00, supposed to have been issued was not approved by the Commission.

Prior to the effective date of the Public Utilities Act the entire capital stock of \$1,500,000.00 of this corporation had been issued and was outstanding. As was suggested in the opinion heretofore rendered, the purchasers of the bonds illegally issued would have some remedy against the corporation for the money paid. In order to comply with the conditions imposed by the Commission and to satisfy its creditors, the company submits a proposed adjustment which we will now consider.

When the company appeared before the Commission originally it was capitalized as follows:

Stock authorized -----	\$1,500,000 00
Stock outstanding -----	1,500,000 00
Bonds authorized -----	1,500,000 00
Bonds in the hands of purchasers, legally and illegally issued -----	930,000 00

The Commission found a value of the property of this company of approximately \$800,000.00 to be justified.

The company now proposes to recast its stock as follows:

First preferred stock, 6 per cent cumulative, authorized---	\$500,000 00
Second preferred stock, 6 per cent cumulative, authorized--	150,000 00
Common stock, authorized-----	850,000 00

The company proposes to recast its bond issue as follows:

To leave outstanding-----	\$303,000 00
To place with special committee of trustees-----	262,000 00
To place with Mercantile Trust Company-----	365,000 00
In treasury -----	570,000 00

In effect, the company proposes to cancel \$591,000.00 of bonds and to issue in exchange therefor \$377,500.00 of first preferred stock and \$150,000.00 of second preferred stock. It proposes, also, to reduce its common stock outstanding from \$1,500,000.00 to \$527,500.00. The company proposes, also, to cancel \$36,000.00 of bonds and redeed to Mr. Lowe the piece of land for which these \$36,000.00 of bonds were originally given him. The effect would be to reduce the outstanding bonds by \$627,000.00. The company will then be in this general position:

Stock	Authorized	Issued	With trustee
First preferred, 6 per cent-----	\$500,000 00	\$377,500 00	\$122,500 00
Second preferred, 6 per cent-----	150,000 00	150,000 00	-----
Common stock -----	850,000 00	527,000 00	322,500 00
Bonds outstanding -----			\$303,000 00
The bonds with trustees' committee to be sold for benefit of company and used for additions and betterments-----			262,000 00
Held by Mercantile Trust Company to be issued only upon authority of the Railroad Commission -----			365,000 00
Unissued and subject to Commission's jurisdiction -----			570,000 00

This improves the company's position to a basis that is extremely conservative and brings about a very healthy financial condition.

The plan of reorganization requires authority from the Commission for the following:

1. To issue \$377,500.00 of first preferred stock.

2. To place \$122,500.00 of first preferred stock with the trustee.
3. To issue \$150,000.00 of second preferred stock.

I believe this can be readily granted for the reason that it means practically an issue of only \$527,000.00 par value of stock for the surrender of \$591,000.00 face value of bonds.

I do not believe the Commission is called upon to take any action with reference to the \$850,000.00 common stock. This company already has outstanding \$1,500,000.00 in common stock over which this Commission has no jurisdiction. It has withdrawn \$650,000.00 of this stock and substituted for it bonds and preferred stock heretofore referred to, as to which substitution this Commission's authority is required, but as to the \$850,000.00 of common stock left outstanding no order of this Commission is necessary.

I believe that in any order which is issued the stock placed with the trustees should be so placed only on the condition that the company and the trustees enter into an agreement with themselves and with the Commission not to issue any stock without the approval of the Commission.

I recommend also that as to the \$262,000.00 of bonds to be placed with the trustees, that a stipulation be filed that these bonds will be sold only for money needed for additions and betterments to the company's property, and that they should be sold only when the additions and betterments and the cost thereof are approved by the Commission. While it will not be necessary under the circumstances of this case, and by reason of the substitution herein provided for, for this company to secure the permission of this Commission to issue the \$262,000.00 of bonds and it should be permitted to issue the same at its option, still I believe that the proceeds of this issue should, as I have suggested, be used for additions and betterments at a cost to be approved by the Commission. The \$365,000.00 of bonds with the Mercantile Trust Company and the \$570,000.00 of unissued bonds will, of course, be under the Commission's jurisdiction.

I deem it proper before submitting an order in this case to make certain observations with reference to this company. Heretofore I very severely criticized this company with reference to some of its transactions. The criticisms were not intended to be directed toward the purchasers of the bonds, but rather toward the directors of the company. Since the original opinion and order were entered this company has conducted itself in such a way as to commend itself to this Commission, and I believe has every much improved its financial condition, and that the Commission should be no slower to praise the good

spirit displayed by the officers of this company since the decision than it was to criticize actions that were considered improper heretofore.

I recommend the following order:

**ORDER.**

Heretofore a hearing having been held and an opinion submitted and order rendered in the above entitled matter, to which reference is made for particulars, and the applicant having presented a plan of reorganization designed substantially to improve the condition of this utility, and to remove the objections urged by the Commission to the financial condition of the applicant at the time of the former hearing; and it appearing that such reorganization and rearrangement will be to the substantial benefit of this corporation and will work no injury to the public,

*It is hereby ordered* that the applicant be authorized—

1. To issue \$377,500.00 of first preferred stock and to deliver the same to the following stockholders in the amounts set opposite their respective names:

D. O. Druffel, 791 $\frac{3}{4}$ shares of the par value of_____	\$79,166 66
J. C. Coleman, 150 shares of the par value of_____	15,000 00
S. W. Coleman, 233 $\frac{3}{4}$ shares of the par value of_____	23,333 33
Hotaling Estate Company, 1,000 shares of the par value of___	100,000 00
F. Reis, Jr., 250 shares of the par value of_____	25,000 00
W. F. Detert, 250 shares of the par value of_____	25,000 00
J. D. Grant, 500 shares of the par value of_____	50,000 00
W. H. Chickering, 58 $\frac{1}{4}$ shares of the par value of_____	5,833 33
Eugene De Coulon, 25 shares of the par value of_____	2,500 00
Geo. T. Marye, Jr., 58 $\frac{1}{4}$ shares of the par value of_____	5,833 33
E. F. Oswald, 8 $\frac{1}{4}$ shares of the par value of_____	833 33
L. P. Lowe, 450 shares of the par value of_____	45,000 00

2. To issue \$122,500.00 par value of its first preferred stock and to place the same with trustees, to be thereafter sold by said company, but only upon the application to and the approval by this Commission.

3. To issue \$150,000.00 par value of second preferred stock to L. P. Lowe.

4. To issue \$262,000.00 of its 6 per cent bonds and place the same in the hands of the trustees named in the application, namely, L. P. Lowe, S. Waldo Coleman and C. W. Conlisk, the same to be hereafter sold only for money needed for additions and betterments to the company's property, and only when the additions and betterments and the cost thereof are approved by this Commission.

5. To issue \$365,000.00 of its 6 per cent bonds, placed with the Mercantile Trust Company, as trustee, only as directed by the directors of the company under the authority and the terms hereafter prescribed by this Commission.

6. The applicant shall file a statement showing the compliance with the provisions of this order so far as present compliance is required. As to the use of the proceeds from the sale of stocks and bonds herein permitted to be placed in the hands of the trustees, the necessary form of accounts will be prescribed in a subsequent order when such stocks and bonds are sold.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of January, 1914.

---

DECISION No. 1239.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES), SIERRA RAILWAY COMPANY OF CALIFORNIA AND SOUTHERN PACIFIC COMPANY FOR PERMISSION TO INCREASE CLASS RATES BETWEEN SAN FRANCISCO, SACRAMENTO, STOCKTON, AND OTHER POINTS ON THE LINE OF SIERRA RAILWAY COMPANY OF CALIFORNIA.

Application No. 301.

---

THE COUNTY OF TUOLUMNE AND THE CITY OF SONORA

*vs.*

SIERRA RAILWAY COMPANY OF CALIFORNIA, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AND SOUTHERN PACIFIC COMPANY.

Case No. 359.

---

COUNTY OF CALAVERAS AND CITY OF ANGELS, INTERVENORS.

ANGELS LUMBER COMPANY

*vs.*

SIERRA RAILWAY COMPANY OF CALIFORNIA, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AND SOUTHERN PACIFIC COMPANY.

Case No. 379.



UTICA GOLD MINING COMPANY AND HOBART ESTATE  
COMPANY

vs.

SIERRA RAILWAY COMPANY OF CALIFORNIA, THE ATCH-  
ISON, TOPEKA AND SANTA FE RAILWAY COMPANY,  
AND SOUTHERN PACIFIC COMPANY.

Case No. 380.

---

Decided January 30, 1914.

Applications for rehearing filed on behalf of the Sierra Railway Company of California, the County of Tuolumne, the City of Sonora, the Santa Fe Railway Company, the Southern Pacific Company, the West Side Lumber Company, and various other lumber companies, denied.

## REPORT OF THE COMMISSION.

## OPINION ON APPLICATION FOR REHEARING.

ESHLEMAN, *Commissioner*.

This case was decided on the 13th day of December, 1913, and the rates found to be reasonable were prescribed to become effective on the 2d day of January, 1914.

Applications for rehearing have been filed on behalf of the Sierra Railway Company of California, the County of Tuolumne, the City of Sonora, The Atchison, Topeka and Santa Fe Railway Company, the Southern Pacific Company, the West Side Lumber Company, and twenty other unnamed pine lumber companies. All of these applicants for rehearing were parties to the original proceedings, except the lumber companies.

I find no merit whatsoever in the applications for rehearing filed in behalf of the parties to the proceeding. All of the questions raised, except the single question of passenger fares, were passed upon and fully considered in the decision heretofore rendered. As far as the passenger rates of this carrier are concerned such slight evidence was introduced that the Commission did not feel justified in attempting any adjustment. If any adjustment is necessary, it will be proper and possible for the parties here asking for a rehearing to file a new application and prepare themselves to present facts upon which the Commission can rule upon these questions.

The lumber companies are in somewhat different condition than the others applying for rehearing, but I find it unnecessary to grant a rehearing in their behalf because any complaint which these companies may have can be better determined in a proceeding which is now pending before this Commission, entitled *San Francisco Chamber of Commerce vs. Southern Pacific Company*, Case No. 417, which is to be

considered by this Commission on February 16, 1914, as well as other cases to be heard jointly with the case here cited. The local lumber rates of the Sierra Railway Company were substantially raised, and careful consideration was given to this matter, both as affecting the revenue of the carrier here involved and as to the volume of the rates themselves. In the proceeding referred to, wherein practically all of the lumber rates of the State of California are to be considered, the Commission can well determine the rates applying from Oakdale upon the lines of the Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company, and if it be found that the local rates applying from Oakdale, which enter as a factor in the rates which must be paid by the lumber companies located upon the lines of the Sierra Railway Company, are too high or discriminatory, they may be changed so as to give the lumber companies here involved the consideration to which their locality entitles them.

I, therefore, suggest that these lumber companies apply immediately to intervene in the cases here cited so that they may be heard with reference to this matter at the hearing on February 16th.

As far as the Southern Pacific and Santa Fe are concerned, their suggestion that the rates prescribed are confiscatory as to them before it is known by them what the division of the rates will be to which they are entitled, hardly deserves mention.

I recommend the following order:

**ORDER.**

The cases here involved having heretofore been heard and evidence having been submitted, and full consideration given to such evidence and a decision rendered; and thereafter applications for rehearing having been filed in behalf of the Sierra Railway Company of California, the County of Tuolumne, the City of Sonora, The Atchison, Topeka and Santa Fe Railway Company, the Southern Pacific Company, the West Side Lumber Company, and various other unnamed lumber companies, and said applications being fully considered, and the Commission being of the opinion that there is not sufficient merit in said applications to warrant a rehearing or a resubmission of evidence,

*It is hereby ordered* that the above applications be and the same are hereby denied.

The rates heretofore ordered are to become effective fifteen (15) days from the date of this order.

The foregoing opinion and order on application for rehearing are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of January, 1914.

Decisions Nos. 1240 and 1241, grade crossings; not printed. See end of volume.

DECISION No. 1242.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR ADDITIONAL TIME TO COMPLY WITH THE PROVISIONS OF CHAPTER 284 OF THE CALIFORNIA STATUTES OF 1913, REGULATING HEADLIGHTS ON LOCOMOTIVES.

---

Application No. 880.

*Decided January 30, 1914.*

---

Applicant granted an extension of time until **May 1, 1914, in which to comply with the provisions of chapter 284 of the Statutes of 1913, regulating headlights on locomotives, at the end of which time applicant may apply for a further extension if a sufficient showing of progress is made.**

*H. C. Booth, for Applicant.*

REPORT OF THE COMMISSION.

*LOVELAND, Commissioner.*

This is an application for an extension of time within which to comply with the provisions of chapter 284 of the Laws of 1913, approved June 4, 1913, regulating headlights on locomotives and providing penalties for the violation of the act. Section 1 of this act reads as follows:

“It shall be the duty of every railroad corporation, or receiver or lessee thereof, operating any line of railroad in this state, within six months after the passage of this act, or within such additional time as may be prescribed by order of the Railroad Commission of California, after such railroad has made a proper showing of its inability to comply therewith, to equip all locomotive engines, used in the transportation of trains over said railroad, with electric or other headlights which will project sufficient light to enable the locomotive engineer to observe clearly a dark object the size of an average man, at a distance of not less than eight hundred feet on a dark, clear night while his train is running at a rate of speed not less than thirty miles per hour; *provided*, that this act shall not apply to locomotive engines regularly used in the switching of cars or trains; *provided, further*, that this act shall not apply to locomotive engines used exclusively between sunup and sundown, nor going to or from repair shops when ordered in for repairs, nor to locomotive engines used on short lines or local lines where in the judgment of the Railroad Commission, the headlight herein provided for is not necessary for the preservation of public safety.”

The testimony offered on behalf of the applicant shows that the applicant now has in used on its locomotives two types of headlight: first, the electric headlight known as the “Pyle” Type E, manufactured by the Pyle Electric Headlight Company. Applicant states that its

locomotives in use in passenger service are equipped with this type of electric headlight; second, applicant states that its locomotives regularly engaged in freight service are equipped with an acetylene headlight.

Testimony was introduced at the hearing by the applicant to show that the "Pyle—Type E" electric headlight is objectionable in railroad service on account of the intensity of the light, and also on account of the fact that the light is rich in ultra-violet rays. Witnesses for the applicant stated that the light is so intense that it has a blinding effect upon locomotive engineers operating engines where necessary for them to move toward the electric headlight. Witnesses further testified that the ultra-violet rays have a tendency to cause color blindness of employees for a few seconds after employees have looked directly into an approaching headlight, and further, that the rays of these high-power headlights, when reflected from the roundels of lenses of signals, often cause a wrong signal indication, due to the presence of the ultra-violet rays of the arc light.

The applicant introduced further testimony to show that the acetylene headlight in use on its freight locomotives practically complies with the headlight act. The applicant's witnesses admitted, however, that this headlight must be in perfect condition in order to meet the requirements of the law, and that it was not possible to maintain these headlights in such condition at all times.

Applicant states that for several months prior to the enactment of the headlight law, and up to the present time, its motive power department has been engaged in making exhaustive experiments in an endeavor to produce an electric headlight of the incandescent type which would comply with the laws of the State of California and other states through which it operated its interchangeable equipment. Its witnesses stated that the object of these tests was to obtain a headlight of sufficient intensity to replace its acetylene headlights, and which would not be of sufficient intensity to interfere with the vision of enginemen operating locomotives toward it, which would be free from the objectionable ultra-violet rays and which would be a more powerful light than the acetylene light. Their efforts were further directed to the development of the generation of light by means of a battery charged by a motor generator attached to the axle of the engine, the object of this type of light generator being to overcome mechanical difficulties which occur in the operation of the present turbine generators used with the electric headlights.

Applicant states that it is now ready to proceed with the installation of an incandescent electric headlight which will comply with the law. It proposes to replace all of its acetylene headlights with the new type of headlight. Applicant states that all of its locomotives in use on

passenger trains are equipped with the "Pyle—Type E" headlight, which complies with the law, and those not equipped with the electric headlight and which are used on freight trains are equipped with the acetylene headlight, which does not, under all conditions, comply with the law.

This Commission will not undertake at this time to pass upon any particular type of headlight further than to draw the attention of the railroad company to the necessity of equipping all of its engines, which under the law should be so equipped, with a type which will beyond question comply with the law. It is necessary for this Commission, in granting additional time to a railroad company in which to equip its locomotives with headlights, to determine whether or not the railroad company has made a proper showing of its inability to comply with the law. It appears that the company has been proceeding in good faith in its endeavors to comply with the law and at the same time produce a more efficient and suitable headlight than it now uses. Considerable time has now elapsed since the effective date on which the applicant should have had its locomotives equipped with headlights; therefore, the applicant should exert itself to comply with the law within the shortest possible time.

Applicant states that it will require between six months and a year in which to equip all of its locomotives with headlights which come within the provisions of the California law. I am not of the belief that such an extension of time should be granted, but am convinced that some additional time should be allowed. I believe that the applicant should be granted an extension of time until May 1, 1914, and that on or before that time the applicant should come before this Commission and make a showing of progress accomplished. If such showing of progress is satisfactory, a farther extension of time should be granted which will enable applicant to fully equip its locomotives with headlights which will be in compliance with the law.

I recommend the applicant be granted an extension of time until May 1, 1914, in which to equip its locomotives with headlights, and submit the following form of order:

**ORDER.**

Southern Pacific Company having applied to this Commission under the provisions of chapter 284 of the Laws of 1913 for an extension of time in which to comply with said chapter, and the Railroad Commission finding that such company is proceeding to carry out the provisions of said act, and that an extension of time until May 1, 1914, would be reasonable,

*It is hereby ordered* that the time within which the applicant must comply with the provisions of said chapter 284 of the Laws of 1913, be and the same is hereby extended to May 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of January, 1914.

---

DECISION No. 1243.

IN THE MATTER OF THE APPLICATION OF THE STANDARD  
OIL COMPANY FOR PERMISSION TO ISSUE STOCK AND  
SELL SAME TO ITS STOCKHOLDERS AT PAR.

---

Application No. 954.

*Decided January 30, 1914.*

---

Application of the Standard Oil Company to issue 45,183 977334/983383 shares of its capital stock to be sold at par to its stockholders, proceeds to be used for certain additions and betterments to plant, granted. This authorization not to be taken as establishing a precedent governing subsequent applications.

*Pillsbury, Madison & Sutro, for Applicant.*

REPORT OF THE COMMISSION.

*LOVELAND, Commissioner.*

This application, as its title indicates, is made by the Standard Oil Company, of California, to issue 45,183 977334/983383 shares of its common capital stock to be sold at par to its stockholders, the money derived from the sale of said stock to be used for the enlargement of its manufacturing plants, for its operation in drilling wells for oil, for payments for property purchased and lands leased, and for the purchase of crude oil.

The circumstances surrounding this application are very different from those usually found comprehended in an application for an issue of stock, and are explained as follows:

The stock of applicant was quoted, at the time this application was heard, at about 277, yet applicant asks to sell the stock herein prayed for to its stockholders at par.

The question as to whether applicant is subject to the jurisdiction of this Commission has not been finally determined, and will not be so determined until a decision has been reached in what is known as the "Pipe Line Case."

There is no question that a part of applicant's business is not public utility business. It may hereafter be decided that the pipe lines owned and operated by applicant are public utilities, in which case, under the

decision rendered by this Commission upon Application No. 311, which decision was followed by this Commission in its decision upon Application No. 428, the issue of stocks and bonds by applicant will be considered under the jurisdiction of the Commission.

In other words, applicant owns and operates a pipe line, which, under a recent statute enacted by the legislature, may be considered by the Commission as a public utility, and also conducts a general oil-producing and selling business which is not a public utility.

Applicant asked for authority to issue a part of its capital stock to its stockholders at par, notwithstanding that such stock has a market value largely in excess of par.

Whether or not this Commission should authorize the stock of applicant to be issued and sold in this manner requires the consideration of two questions: first, the legality of the issue; second, the propriety or justness of permitting such issue and sale.

This Commission has held that a company doing both public utility and nonpublic utility business is under the jurisdiction of this Commission as to the issuance of stocks and bonds. Strictly speaking, if this be true, then stocks and bonds can only be issued by applicant for the purposes set out in section 52 of the Public Utilities Act, to wit:

“Acquisition of property, or for the construction, completion, extension or improvement of its facilities, or for the improvement or maintenance of its service, or for the discharge or lawful refunding of its obligations, or for the reimbursement of moneys actually expended from income or from any other moneys in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates, or bonds, notes or other evidences of indebtedness of such public utility, within five years next prior to the filing of an application with the commission for the required authorization.”

It will be noted that it is not provided in terms that these purposes must be public utility purposes. In other words, apparently a company doing both utility and nonutility business can, under the above provision, use money for the above purposes not applied to its public utility business. But there is strong inference that these purposes were intended to be public utility purposes; otherwise, there would be little reason for the statute setting them out.

It would seem that there is no restriction upon the discretion of the Commission in permitting the issuance of stock for either more or less than par; nor is there anything in the law to prevent the Commission from authorizing the sale of stock for less than its market value.

While it seems, further, that as a matter of law this Commission can not permit the issuance of stock by a public utility, the proceeds from the sale of which are to be used for purposes other than those above set out, yet, in the decision on Application No. 311, this Com-

mission held to the contrary, and permitted the issuance of stock, notwithstanding that the proceeds from the sale of which were to be used for purposes other than those above set out. This decision was arrived at to obviate the difficulty that if a company operating both a utility and nonutility business was not permitted to issue stock for purposes other than those set out in the Public Utilities Act, it must either cease doing business or separate such businesses, the latter of which is not always practicable, as was held in that case.

If we follow the decision rendered upon Application No. 311, we can permit the issuance of this stock, notwithstanding the proceeds are to be used for other purposes than those set out in the Public Utilities Act, and if the above statement of law is correct, the Commission can permit the issuance of the stock for less than its market value.

This brings us to the consideration of the second question: the matter of propriety or justness of the issue asked for. The Commission is not willing to declare at this time, as a matter of settled policy, that it will permit a strictly public utility corporation to issue and sell its stock to its stockholders at less than the market value. It may be, and has been argued to the Commission, that, in view of the fact that the stockholders own all of the property, they at least are not injured if they receive more stock at less than its value. But the Commission believes that it must look farther and determine whether or not there is a public interest involved in the issuance of the stock of a public utility company.

The reason for this is obvious. It must be admitted that a public utility's ability to raise money when needed for extensions, additional service, improvements of service, etc., is a matter of importance to the public; at least that part of the public represented by the patrons of public utilities. And it must also be admitted that capital stock is a very important asset which may be sold to raise money for these purposes.

Obviously, then, to sell stock at less than its market value is to deprive the utility company by that much of an opportunity to raise money for the purposes above mentioned and to that extent the public is injured.

This reasoning would apply to a company doing both a utility and nonutility business if the results were the same; and a proper consideration of whether the results will be the same requires that each case must rest upon its own consideration.

In the case at bar, there is no doubt that the Standard Oil Company is and will be at all times amply able to finance that portion of its business which the Commission may declare public utility business, and it, therefore, seems to be that permission to issue the stock herein asked for may be permitted on the ground that, considering all of the circum-



stances surrounding this particular case, the granting of such permission can in no way injure the public. The granting of the permission asked for must not be construed by any one as establishing a precedent.

As has been stated, the Commission may decide that a portion of applicant's business is public utility business and that the issue and disposal of stocks and bonds by applicant for any purpose is within the jurisdiction of the Commission, in which case the permission herein granted is justified for the reason above set forth.

It may be added as a further reason for granting this application, that this has been the customary method of financing employed by applicant, and that to insist upon a departure from such method at this time would be a matter of serious embarrassment to applicant.

If it shall be found later that the pipe line portion of applicant's business is not a public utility business, this decision can have done no harm.

It must be distinctly understood, however, that it is upon the statement of facts above set forth, which are peculiar to this application, that permission is granted to applicant to issue the stock as prayed for, and that no principle is being established that public utilities can issue stock and sell same at less than market value. And we suggest to this applicant, and to other corporations that have followed this procedure of disposing of new stock, that they do not rely upon the Commission's approval of this particular issue as in any wise a precedent which will be followed in other cases.

In the first case hereafter presented to the Commission where the Commission's jurisdiction is undoubted, the main question herein will be determined.

I recommend the following order:

#### ORDER.

Application having been made to the Railroad Commission of the State of California by Standard Oil Company for an order authorizing the issue of 45,183 977334/983383 shares of its common capital stock, and a hearing having been duly held, and it appearing to the Commission that said application should be granted,

*It is hereby ordered* that Standard Oil Company is hereby authorized to issue 45,183 977334/983383 shares of its common capital stock on the following terms and conditions and not otherwise:

- (1) Said stock shall be sold so as to net applicant not less than par.
- (2) Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of said common capital stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission, in accordance with the Commission's General Order No. 24, stating the sale or disposition of such stock

during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

(3) The authority hereby given to issue such stock shall apply only to stock issued by said company on or before the first day of August, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of January, 1914.

---

DECISION No. 1244.

FRANK TURNBULL COMPANY

vs.

SWEETWATER WATER COMPANY.

---

Case No. 472.

*Decided January 30, 1914.*

---

Complainant petitions the Commission for an order compelling defendant to take over and operate a certain water distributing system adjacent to San Diego.

*Held.* That public convenience and necessity will be best served by the defendant company taking over and operating said system. Complainant directed to convey to defendant its certain water distributing system, together with a suitable tract of land for the erection of a 30,000-gallon water tank. Defendant directed to accept said conveyance, and to operate same as part of its present system.

*Edgar A. Luce*, for Complainant.

*A. H. Sweet* and *F. S. Jennings*, for Defendant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

In this complaint, complainant asks that the certain water distributing system installed by complainant on property which complainant had obtained title to or control of, for the purpose of subdivision into lots and sale thereof, be taken over by the defendant company and operated by said company supplying directly individual consumers upon the tracts now served by complainant.

The answer of the defendant admits that in the past water has, under a certain agreement, been furnished for the tract and system involved in this complaint at a point on its main pipe line No. 2 to complainant, the Frank Turnbull Company. Defendant contends, however, that it has

distinctly avoided any obligation beyond this point of delivery and that, due to adverse service conditions beyond this point, it should not be required to take over the ownership of said water distributing system and of maintaining and operating the same.

The tract involved consists of: Alta Vista Suburb No. 1; Alta Vista Suburb No. 2; Homedale and Ocean View Heights, being in all some 100 acres in extent. These tracts are described throughout the testimony given at the hearings in this case as being in blocks or tracts Nos. 51, 52, 53 and 56 of the Horton purchase. This property was acquired by the complainant company during 1909.

The testimony shows, however, that water was furnished to this property, previous to the purchase of said property by complainant, as well as subsequent thereto, for irrigation and, incidentally, domestic purposes, between the years 1889 and 1906, inclusive.

The records of the defendant, the Sweetwater Water Company, also show delivery of water to the tract in question previous to the purchase of said tract by complainant, such records showing same as delivery to "Shaw service No. 415" and the water used on the "Shaw lands."

The testimony at the hearings shows that such "delivery" was for the purpose of irrigating 5 $\frac{1}{4}$  acres in blocks "J" and "K," tract 52, and witnesses for complainant further testified that water was also used on some higher land in block "L" of the same subdivision number.

Coming to the present service by defendant to complainant, a copy of an agreement dated June 10, 1910, between complainant and defendant was filed as an exhibit in this case, by the conditions of which water was to be furnished by defendant to complainant at 25 cents per thousand gallons for the first 6,000 gallons, monthly, and 10 cents per thousand gallons for excess quantities, it being provided in the agreement that the complainant in making distribution should apply rates regularly established in National City.

Since the date of that agreement, water has been delivered by defendant and received and distributed by complainant upon the areas involved.

It appears that during the summer of 1913 there was considerable complaint of inadequate pressure and shortage of supply on the higher points in this area, the weight of the testimony showing that, during the larger portion of a twenty-four-hour day, for a certain period no water whatever was available for domestic purposes at these higher points. The highest point, according to the testimony of the defendant, that is involved, is 172 feet above sea level, the remainder of the tract lying between that elevation and 112 feet above sea level along the main of the Sweetwater Water Company on Vista street.

Defendant contends that it has never been its intention to serve lands at so great an elevation at this distance along its mains from the source

of its supply. It is apparent, however, that the defendant did at one time throughout a term of years deliver water for irrigation purposes to a portion of this tract lying approximately between 130 and 150 feet above sea level and on the statement of water used during this period filed, by stipulation, with the Commission, subsequent to the hearing, it is noted that the greatest payment for water used, \$54.00, was in 1901, when, according to testimony, all water was pumped from wells to the mains of the defendant company. The rates then properly applying are stated to have been \$3.50 per acre for irrigation use and various graded amounts under flat rates for domestic uses. No segregation of the two is made in the statement furnished to the Commission.

It was also a matter of testimony that considerable other lands, within the service of the defendant company and at considerable elevations and distances from the dam of defendant, warranted the assumption that defendant has become obligated in other instances to serve lands at the average elevation of this tract, but probably not above the 150-foot elevation.

The actual amount of water that has been delivered or that will be required by this tract is not of importance, it having been testified that there is no intention of limiting the amount of water that may be delivered to complainant, and that the current demand on the system is estimated to be between 82 per cent and 86 per cent of its ability to serve. It is established, therefore, that the water for this tract will come from the system of the defendant company, and that there will be sufficient quantity to take care of all present and future demands on these tracts.

The point to be considered, in my judgment, is as to the proper agency to distribute water from the point of delivery on the mains of defendant company.

The testimony showed that the maximum month's use during 1913 was practically 325,000 gallons, and that this was used by an average of twenty consumers. It was also testified that this number of consumers would, in all probability, soon be increased to forty, but it is not probable that the greater part of the area will demand water for a long time to come.

The complainant is not organized with any provision in its articles of incorporation fixing a public utility status, but has gained such aspect through, as it alleges, enforced obligation to deliver domestic water. It is not equipped for this service, does not desire to carry on the business for a profit, and wishes to be relieved from the obligation.

A number of consumers testified that the service on the tract in question has been inadequate. The claim is made by defendant that such inadequacy is due to the small size of the distributing pipe installed by complainant.

Defendant is admittedly a public utility whose particular business is developing, maintaining and distributing irrigation and domestic water for profit. Public convenience and necessity, as far as consumers upon this tract are concerned, could be best served by the defendant rather than by the complainant. The defendant has indicated a preference for the increase of its business to be the satisfaction of domestic demand and use on this tract is and will admittedly be domestic, yielding the greater return to whatever company serves it. The area lies within a four-mile radius of the business center of the city of San Diego, and while at a greater altitude than a considerable part of defendant company's territory, it is nearer to San Diego than the greater portion of defendant's territory and for that reason may logically be expensed to create a greater domestic demand for the expense of distributing system, due to more compact settlement.

The case came on originally for hearing before the Commission on November 25, 1913, at which time the defendant protested particularly that the tract, due to its elevation, was beyond the reasonable limit of service from its mains and for that reason it should not be required to take obligation further than is provided in its agreement with complainant.

Testimony was produced to show that service should not be demanded at this distance from defendant's reservoir dam above a 140-foot elevation which is the level of the lowest outlet in the dam, and, further, that, due to necessity hydraulic gradient in the pipe lines, further reduction of elevation allowable should be made amounting, by the computation of defendant's engineer, to 45 feet in the mains of the company.

To uphold this contention would absolve defendant from any obligation to deliver water even in its mains at the point where service is now rendered the complainant, which point has an elevation of 112 feet. The present water level in the reservoir was shown by testimony to be 184 feet, and was so determined by the hydraulic engineer of the Commission on November 27th according to the gauge and levels used by the defendant company. Pressure measurements made at this time, however, appeared to the engineer of the Commission to prove that, considering elevation upon this tract to be correct, as testified, the elevation at the defendant water company's reservoir to be comparable should be assumed five feet greater than given in the testimony.

The hearing on November 25th was adjourned to give the engineer of the Commission an opportunity to investigate and report to the Commission, and a later hearing was held for the purpose of giving the litigants an opportunity to cross-examine the Commission's engineer upon such report. Such further hearing was held on January 9, 1914.

The engineer of defendant testified that his deductions were not based upon actual measurements of the use upon this tract and actual service

through the mains of the defendant company, but upon his measurements of another main of defendant delivering water largely to lower levels and the records of water use of the defendant and computations made by other engineers.

In fixing upon the ability of the water company to serve consumers, the minimum ability is never considered, but generally an amount is used somewhat below the average or normal. It does not seem proper that the lowest outlet of the reservoir, with no water above that level, should be assumed as the limit of the obligations of defendant. The present level of water is decidedly below what it would be were the reservoir at half or even two fifths capacity, which is a fairer measure of the supply that the defendant company may be assumed to have available. Below the present supply extraordinary methods and certain limitations of amounts of water that the company may be expected to deliver should apply.

In deciding upon the efficiency of complainant's system separately, the engineer of defendant computed that, under the average demand during the maximum month, the friction loss in the pipes would reduce the elevation at which water could be delivered at the large mains by 33 feet. Or, should the foregoing contention of the company be upheld, that, should water be considered no higher than 145 feet at the dam and lose 45 feet in transit in the mains, the additional loss of 33 feet in complainant's pipe system would make it appear that water should not be expected to reach a greater elevation than 67 feet above sea level on the tract served by complainant. With water at the present stage of 184 feet at the dam, the actual elevation possible to serve by this computation would be 106 feet, or still below the point of delivery to defendant's main.

At the adjourned hearing, however, the testimony of defendant's engineer established the willingness of the defendant to admit its ability to serve at an elevation of 130 feet. The engineer of the Commission made an independent computation of these matters after investigation had been made on November 29th, at which time pressure measurements were made along the main of the company leading to National City and the district of which the tract served by complainants is a part, and testified as to such investigation at the adjourned hearing of January 9, 1914.

The engineer of the Commission found that, judging by reported elevations, there was no loss of head from the reservoir to and through the system of complainant. At that season of the year when such investigations were made, there would admittedly be a less use of water than during the maximum demand. Using the reported consumption of the defendant company, segregated to use along main No. 2, by months, it was determined that there would probably, on the day of the investi-

gation, be two fifths of the flow of the average day during the maximum month. The pressure measurements were made between 9 and 12 o'clock a. m., which should be the portion of the maximum use of the day, and this was assumed to bear the same ratio to highest use of the day during the maximum month as holds between monthly uses.

The Commission's engineer also disagreed with the engineer for complainant wherein he used twice the main daily consumption of the maximum month as the maximum day's demand upon the pipes of the system and found the necessary flow at the head of the pipe to be seven cubic feet per second. The Commission's engineer used in his computation 5.36 second feet for the average use during the maximum day on this main and 2.14 second feet at the time of the investigation. From this it was computed that on November 29, 1913, instead of no difference of water level on the tract in question and at defendant company's dam, there must actually have been a 5-foot difference of level to deliver this quantity of water to its use throughout the system, and that on the day of maximum use there must have been a difference of elevation of 25 feet.

During use at maximum demand for the day there would be a greater difference of elevation, and during hours of lightest demand decidedly less or probably not over 10 feet. Assuming the present water level in defendant's reservoir to be as low as may be anticipated, it then appears that, for the average use during the maximum day, in so far as transportation through the mains of the company is concerned, water may be delivered at an elevation of 164 feet at the distance from defendant's reservoir to complainant's tract, and during a portion of the day at an elevation of 179 feet or more up to 189 feet if there be any period of no other use. In computing the loss of head under conditions of maximum use in complainant's system, the engineer for the defendant testified to this being 33 feet. The engineer for the Commission, on the same point, but assuming two additional connections to the present mains of defendant, testified to 8 feet under average use of the maximum day.

From the testimony, it is computed that the complainant company used about 2,300,000 gallons during 1913. This, at the present rate, returns to the defendant company, under one minimum charge of \$1.50 per month, \$18.00 for 72,000 gallons, and the excess of 2,218,000 gallons at 10 cents per 1,000 gallons amounts to \$223.00 or a total of \$341.00.

Should the defendant company assume distribution in the tract in question, for twenty consumers, there will be a return, under the minimum payment of \$324.00 for 1,296,000 gallons, and for an excess of 1,004,000 gallons, to make the same amount of use as in 1913, \$100.00 or a total of \$424.00. The increase in returns would, therefore, be \$83.00 per annum. With an increase of consumers and use double that

of the present, the returns to the defendant company through the complainant company would be \$571.00, and, making a direct delivery, \$848.00, showing apparent reason for desire on the part of the defendant company in the furtherance of its business to take over complainant's system.

The engineer for the defendant in his testimony advised that an immediate remodeling of complainant's system, at an estimated cost of \$7,825.00, is essential, or an increase in capital account over the value of the present plant of about \$6,000.00.

The engineer for the Commission disagreed to the extent that he believed this system, apart from a consideration of the pressure at the main of the defendant company, to be adequate for the limited use on the tract. He testified that, for the improvement of service sufficient for the present demand, the erection of a 30,000-gallon tank, with the bottom at an elevation of 172 feet and a connection at two points on "P" street with a 2-inch pipe line of the present system, and the segregation of Alta Vista Suburb No. 2 and Ocean View Heights into a separate zone to be fed by this tank, would be sufficient for the solution of the present problem.

Complainant company testified that it would be willing to donate the land necessary for the erection of this tank, which tank it is estimated would cost about \$1,000.00. The increase in returns that apparently the defendant company would receive for delivery direct to present consumers is \$83.00, which, capitalized at 6 per cent, is equivalent to returns on an investment of \$1,380.00, or \$380.00 more than the estimated cost of the 30,000-gallon tank.

Any increase in number of consumers on the tract will warrant an increased investment, and I believe it reasonable to assume that the returns will far exceed the necessary increased investment. In general, a larger corporation can handle the business of distribution at a less expense than must be incurred by a division of public utility business between the principal company and smaller concerns making final distribution as retailers, and the larger company is usually better equipped to render adequate service. This seems particularly true in this case. It appears that the defendant company is requested to assume obligation to deliver water to a somewhat higher point than it admits an obligation to serve in that immediate neighborhood. On the other hand, it is being given, without cost, property that its engineer estimates to have a value of about \$1,800.00, exclusive of connections and meters which, if added, would probably increase this value to \$2,000.00.

While it is not absolutely proven that the 30,000-gallon tank, suggested by the Commission's engineer, would fill sufficiently often to give adequate service to this higher tract, it was testified during the hearing



that water was generally available in the pipes at the point of highest use in Ocean View Heights during the night-time during the summer of 1913, and the defendant testified that pipe capacity has been increased and a drain from the service of main No. 2 to main No. 1 has been reduced by throttling the connection between National City and Chula Vista. Other connections can be made to complainant's system or a length of pipe can be added to the 6-inch main of the present company and the unregulated irrigation use complained of in this hearing, particularly on the Schulenburg tract, can be, to some extent, regulated, all of which will tend to give better service than was given in 1913.

Should no increased supply be received in defendant company's reservoir, all use on this tract must be limited, but no more than in other districts. Should an increased supply be available, the reservoir level will be higher and increased pressure will obtain, due to that cause.

I find as a fact that water furnished by the defendant company to the complainant company is delivered to about twenty users on Alta Vista Suburb No. 1 and No. 2, Ocean View Heights and Homedale, being subdivisions owned by or in control of the complainant company, and that within these subdivisions the complainant company has built a distribution system and delivered water to individuals.

I further find as a fact that, as the complainant company is not in the business of furnishing water for individual domestic use, and the defendant company is in that business, and that present consumers are not adequately supplied at all times, that public convenience and necessity demand the transfer of this system from complainant to defendant.

I further find as a fact that the complainant company should deliver the pipe system and a tract of ground suitable for the erection of an equalizing tank, free of encumbrances, to the defendant company, and that the defendant company should accept ownership of and assume the operation of delivering water to present and future consumers of the herein described tracts, provided that water shall not be required to be furnished by the defendant company at any time above an elevation of 172 feet according to the data used in the testimony describing these tracts.

I recommend the following order:

#### ORDER.

The complainant in this proceeding, the Frank Turnbull Company, having applied to this Commission for an order compelling defendant, the Sweetwater Water Company, to take over, without cost, and operate that certain water distributing plant or system installed and now operated by the complainant company; and the Commission, after an exhaustive study of the situation, as set forth in the opinion preceding this order, having found as a matter of fact that the defendant company may

reasonably be required to take over and operate such distributing water plant or system, and that public convenience and necessity will best be served by the defendant company taking over and operating said system; and having found further than the complainant company should convey to the defendant company said system and a tract of land suitable for the erection of a 30,000-gallon tank, without cost,

*It is hereby ordered* that the complainant, the Frank Turnbull Company, convey to the defendant company the water plant or system in question and a tract of land suitable for the erection of a 30,000-gallon water tank.

*It is further ordered* that defendant, the Sweetwater Water Company, accept such conveyance of the said water plant or system and land for the erection of the 30,000-gallon water tank, and that defendant, the Sweetwater Water Company, shall hereafter operate said water plant or system under the same rules and in the same manner as it operates other parts of its system.

This order is to become effective thirty (30) days from date and is conditioned upon the complainant, the Frank Turnbull Company, making a proper conveyance of the water plant or system and of the land, as above mentioned, to the defendant, without cost therefor.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of January, 1914.

---

DECISION No. 1245.

IN THE MATTER OF THE APPLICATION OF THE STANDARD  
OIL COMPANY FOR PERMISSION TO ISSUE STOCK AND  
SELL SAME TO ITS STOCKHOLDERS AT PAR.

---

Application No. 954.

*Decided January 31, 1914.*

---

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This Commission having on January 30, 1914, made an order in this proceeding authorizing applicant to issue 45,183 977334/983383 shares of its common capital stock upon certain conditions specified in said

order and applicant having requested permission to issue an additional 2,500 shares to the Murphy Oil Company upon the conditions specified in said order,

*It is hereby ordered* that Standard Oil Company be, and it hereby is, authorized to issue 2,500 shares of its common capital stock to Murphy Oil Company upon the same conditions as are contained in the order heretofore made in this proceeding on January 30, 1914.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 31st day of January, 1914.

---

DECISION No. 1246.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO  
NATURAL GAS COMPANY FOR AN ORDER AUTHORIZING  
THE ISSUE OF BONDS AS COLLATERAL.

---

Application No. 960.

*Decided January 31, 1914.*

---

Applicant authorized to issue and pledge certain bonds of the face value of \$200,000.00 as security for notes of the aggregate face value of \$100,000.00, said notes being partly in renewal of notes now outstanding of the face value of \$80,000.00, and the balance to reimburse applicant for money previously expended for improvements to plant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This Commission having, in its order made on April 24, 1913, in Application No. 446, being the application of Sacramento Natural Gas Company for permission to issue bonds of the par value of \$200,000.00, authorized applicant to sell its first mortgage, thirty-year six per cent gold bonds of the face value of \$180,000.00, upon the conditions and for the purposes therein specified; and applicant having filed with this Commission application for authority to issue these bonds as collateral security for promissory notes of the aggregate face value of \$100,000.00, the proceeds derived therefrom to be used for the purposes hereinafter specified; and the Commission being of the opinion that a hearing upon this application is not necessary and that the application should be granted,

*It is hereby ordered* that Sacramento Natural Gas Company be, and it hereby is, authorized to issue and pledge as collateral \$200,000.00 of its first mortgage thirty-year six per cent gold bonds of the aggregate face value of \$200,000.00, upon conditions hereinafter named and not otherwise.

*It is further ordered* that applicant be authorized to issue promissory notes of the face value of \$100,000.00 at a rate of interest not to exceed six per cent, and for a period of not to exceed one year, said notes to be issued so as to net applicant not less than ninety-five per cent thereof, and the proceeds derived therefrom to be used for the following purposes:

Promissory note to J. N. Jensen-----	\$25,000 00
Promissory note to Irving National Bank of New York City-----	25,000 00
Promissory note to First National Bank of Boston, Massachusetts----	25,000 00
Promissory note to California National Bank of Sacramento, California	19,500 00
Reimbursement of treasury for moneys actually expended from income during the past five years for construction, extension and improve- ment of plant-----	500 00
	<hr/> \$95,000 00

(1) Said bonds shall be pledged for promissory notes, the face value of which shall not be less than fifty per cent of the face value of the bonds.

(2) Applicant may reissue as collateral the bonds herein authorized from time to time as the notes herein authorized to be issued fall due. The applicant may issue new notes in lieu of those falling due upon the condition that the time of the original note and the time of the renewals shall not aggregate more than one year.

(3) Sacramento Natural Gas Company shall keep separate, true, and accurate accounts, showing the number of the bonds issued in accordance with this order, the notes for which such bonds are issued as collateral, and the application of the money obtained from the notes, and on or before the twenty-fifth day of each month shall make a verified report to the Commission in accordance with this Commission's General Order No. 24, which, in so far as applicable, is made a part of this order.

(4) The authority hereby granted applicant to issue bonds, shall apply only to February 1, 1915.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated this 31st day of January at San Francisco, California.

## DECISION No. 1247.

IN THE MATTER OF THE APPLICATION OF OAKLAND,  
ANTIOCH AND EASTERN RAILWAY COMPANY FOR  
AUTHORITY TO ISSUE BONDS AND NOTES.

---

Application No. 939.*Decided February 3, 1911.*

---

Applicant authorized to issue \$500,000.00 face value of its 5 per cent bonds and \$700,000.00 face value of 6 per cent notes, said bonds, together with other bonds heretofore authorized by this Commission, to be pledged as security for aforesaid notes.

Applicant prohibited from selling bonds herein authorized, or to use any of the proceeds derived from such sales, until such expenditures have been approved by the Commission.

*Jesse H. Steinhart*, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application by Oakland, Antioch and Eastern Railway for authority to issue \$500,000.00 in bonds for the purpose of providing money for additional construction and equipment and, previous to the sale of these bonds, to pledge them with other bonds as collateral security for an issue of \$700,000.00 of notes.

It is the intention to use the proceeds from the sale of these notes toward the liquidation of the floating indebtedness of Oakland, Antioch and Eastern Railway and Oakland and Antioch Railway. This floating indebtedness amounts to \$1,299,964.72. This floating indebtedness will be further lessened through an assessment on applicant's stock amounting to \$400,000.00.

The financial affairs of Oakland, Antioch and Eastern Railway and its subsidiary, Oakland and Antioch Railway, have been reviewed by this Commission in its decisions upon applications Nos. 608 and 666. A brief summary will, therefore, suffice for the purposes of this application.

Oakland, Antioch and Eastern Railway, of itself, and through stock ownership in other railroads, operates a standard gauge electric railway approximately 100 miles in length, between Oakland and Sacramento, with branches extending to Antioch and Danville. Through a contract with the San Francisco, Oakland and San Jose Consolidated Railway, the applicant operates, by electric line and ferryboats, between Oakland and San Francisco, thus giving it a through connecting service from San Francisco and Oakland to the points mentioned.

Oakland, Antioch and Eastern Railway has an authorized issue of 100,000 shares of stock of the par value of \$100.00 per share, all of which is outstanding.

Applicant's indebtedness may be summarized:

Oakland and Antioch Railway bonds outstanding-----	\$2,000,000 00
Oakland, Antioch and Eastern Railway bonds outstanding--	2,500,000 00
San Ramon Valley Railroad bonds outstanding-----	100,000 00
<hr/>	
Total bonds -----	\$4,600,000 00
Floating indebtedness, approximately-----	1,300,000 00
<hr/>	
Total all indebtedness-----	\$5,900,000 00

As security for its floating indebtedness in the sum of \$1,300,000.00, applicant has pledged \$1,256,000.00 of bonds. It holds in its treasury \$244,000.00 of bonds authorized by this Commission but not yet sold.

It is the desire of the applicant to use the proceeds from the sale of the \$500,000.00 of bonds, which it now asks authority to issue, for the following items:

Grading -----	\$25,000 00
Additional ballast -----	23,000 00
Ties -----	10,000 00
Rails -----	8,000 00
Special work -----	25,000 00
Frogs and switches-----	6,000 00
Roadway tools -----	2,000 00
Steel bridges and trusses-----	6,000 00
Pile and frame trestles-----	96,000 00
Culverts -----	2,000 00
Signal apparatus -----	12,000 00
Distribution system -----	70,000 00
Substation buildings -----	6,000 00
Station buildings and fixtures-----	20,000 00
Substation equipment -----	48,000 00
Shop equipment -----	4,000 00
Freight cars -----	40,000 00
Electric locomotives -----	20,000 00
Miscellaneous equipment -----	8,000 00
<hr/>	
Total -----	\$431,000 00

The application requests, however, that authority be granted at the present time to pledge these \$500,000.00 of bonds as collateral security, together with other bonds of like character previously authorized by this Commission, so that the total may be \$1,167,000.00 of such bonds.

It is the intention to pledge these bonds in the sum of \$1,167,000.00, or such part thereof as may be necessary, as collateral security for an issue of \$700,000.00 of 6 per cent four-year notes and to issue and sell these notes at 96½ per cent of their face value under the terms of a trust agreement between Oakland, Antioch and Eastern Railway and Union Trust Company of San Francisco, dated February 1, 1914.

It is provided in this trust agreement that notes may be issued up to the total of \$700,000.00, 200 of such notes to be in denominations of \$500.00, and 600 in denominations of \$1,000.00.

It is further provided that for every note so issued there shall be deposited with the trustee first mortgage thirty-year 5 per cent bonds of Oakland, Antioch and Eastern Railway equal in face value to  $166\frac{2}{3}$  per cent of the face value of such notes as may be issued. The notes are to be callable: the first year at  $100\frac{1}{2}$ , the second year at  $100\frac{1}{4}$ , and the third and fourth years at par.

It is further stipulated in the trust agreement that these notes may be converted into the bonds which are pledged as security therefor upon the basis of 85 per cent of face value for the bonds as against  $96\frac{1}{2}$  per cent of face value for the notes.

In previous orders, the Commission has fixed the minimum price at which Oakland, Antioch and Eastern Railway shall sell its bonds at 80 per cent of the par value thereof. In observing this provision, it will be necessary for applicant to fix, as the maximum commission that may be paid for the sale of its notes, a sum, which, under the conversion plan provided for in the trust agreement, heretofore referred to, will net to applicant at least 80 per cent of the face value of the bonds which may be exchanged for notes.

It is altogether desirable that Oakland, Antioch and Eastern Railway should clear up or greatly reduce its floating indebtedness. It is applicant's belief that it will be able to liquidate the notes, which it now asks for authority to issue, by either their conversion into bonds or the sale of these bonds.

Since this Commission, on August 19, 1913, authorized the applicant herein to issue \$1,000,000.00 of its first mortgage bonds, it has levied and collected an assessment of \$500,000.00 on its capital stock. It has now levied a second assessment of \$4.00 per share, which it believes will bring into its treasury approximately \$400,000.00. It will thus have raised \$900,000.00 from its stock.

Previous to the effective date of the Public Utilities Act, this company had issued the full amount of its authorized capital stock, a portion for preliminary and promotion work, but the greater portion as a bonus with the bonds.

In adopting the policy of stock assessment, I believe this company has greatly strengthened its financial condition. Too often such enterprises are overburdened and wrecked at the beginning by large issues of bonds to meet early necessities which should be defrayed through money raised from stock. It is certainly a sound judgment that strives to keep fixed charges within a reasonable limit. Many a worthy enterprise has been dedicated almost at its inception to failure through

the pyramiding of bond issues for preliminary expenditures and initial losses.

This road is still in process of construction and its limited operation for the past six months does not afford an adequate basis upon which to predicate a judgment as to its future, and the Commission does not assume, therefore, to pass upon the value of its securities, but it does, nevertheless, invite to the attention of such other utilities as may be in need thereof the unquestioned advantages of a policy of stock assessment.

The applicant has not submitted the detailed engineering data covering its proposed construction, nor has it submitted the detailed specifications for such equipment as it proposes to purchase.

The order to be issued will authorize the pledging of the \$500,000.00 of bonds desired for this construction work and this equipment, but the authority to sell these bonds or to issue them in exchange for applicant's notes will be issued only after the engineering department of this Commission has had full opportunity to pass upon the detailed data to be submitted. The work covered in this program of construction and the equipment are needed by applicant, and are proper purposes, as specified in the Public Utilities Act, for the issue of bonds.

It appears also that the floating indebtedness, heretofore mentioned, of applicant and Oakland and Antioch Railway was incurred for items properly chargeable to capital account, and the refunding of this indebtedness through the pledge of bonds and the issue of notes is, therefore, also in accordance with the provisions of the Public Utilities Act.

I find, therefore, that the purposes for which it is proposed to issue \$500,000.00 in bonds and to issue \$700,000.00 in notes are not reasonably chargeable to operating expenses or to income.

The order herein will approve applicant's trust agreement with Union Trust Company of San Francisco in so far as this Commission has the authority to so approve, with the understanding that the applicant will not issue any of its bonds in exchange for notes until it shall have received a supplemental order from the Commission approving the detailed engineering data to be filed, and with the reservation that such approval is given in so far as the terms of said trust agreement are not in conflict with the so-called income tax law of the United States.

I recommend that, with the above conditions, the application be granted, and submit the following form of order:

#### ORDER.

Oakland, Antioch and Eastern Railway having applied to this Commission for authority to issue \$500,000.00 of its first mortgage 5 per cent thirty-year bonds under its mortgage and deed of trust to Union Trust Company of San Francisco, dated October 1, 1911, a copy of



which is on file with this Commission; and to pledge said bonds, together with other bonds under said mortgage heretofore authorized by this Commission to a total of \$1,167,000.00 of all such bonds, as collateral security for an issue of notes under a trust agreement between Oakland, Antioch and Eastern Railway to Union Trust Company of San Francisco, dated February 1, 1914; and to issue \$700,000.00 of its 6 per cent four-year collateral trust notes under said agreement between Oakland, Antioch and Eastern Railway and Union Trust Company of San Francisco;

And a hearing having been held, and it appearing that the purposes for which said bonds and said notes are to be issued are not, in whole or in part, chargeable to operating expenses or to income.

*It is hereby ordered* that Oakland, Antioch and Eastern Railway be granted, and it is hereby granted, authority to issue \$500,000.00 of its first mortgage 5 per cent thirty-year bonds under its mortgage and deed of trust to Union Trust Company of San Francisco, dated October 1, 1911.

*It is further ordered* that Oakland, Antioch and Eastern Railway be granted, and it is hereby granted, authority to pledge said \$500,000.00 of its first mortgage 5 per cent thirty-year bonds, herein referred to, and to pledge such other of its first mortgage 5 per cent bonds, heretofore authorized by this Commission to be issued in this Commission's decisions Nos. 771 and 891 upon applications Nos. 608 and 666, respectively, as may be necessary to make the total of all such bonds pledged \$1,167,000.00 of such issue of bonds, said bonds to be pledged under the terms of a trust agreement between Oakland, Antioch and Eastern Railway and Union Trust Company of San Francisco, dated February 1, 1914, a copy of which has been filed with this Commission in connection with the application herein and to which reference is hereby made.

*It is further ordered* that Oakland, Antioch and Eastern Railway be granted, and it is hereby granted, authority to issue \$700,000.00 face value of its four-year 6 per cent collateral trust notes under said trust agreement between Oakland, Antioch and Eastern Railway and Union Trust Company of San Francisco, dated February 1, 1914.

Said authority herein given to pledge said bonds and to issue said notes is given upon the following conditions and not otherwise:

(1) If said \$500,000.00 of bonds herein authorized to be issued are sold, the proceeds to be derived therefrom shall be used for additions and betterments and equipment for applicant's line of railway, as specified in the opinion herein, in the amount of \$431,000.00.

(2) Said \$500,000.00 of bonds shall not be sold until this Commission shall have issued a supplemental order approving the detailed engineering data and specifications for the additions and betterments and equipment herein referred to.

(3) If applicant shall sell its bonds, such bonds shall be sold at a price which shall net applicant not less than 80 per cent of the par value thereof.

(4) Said notes in the sum of \$700,000.00, herein authorized to be issued, shall be sold so as to net applicant not less than 96½ per cent of the face value thereof, less commission. Said commission shall not be greater than a sum which would net applicant 80 per cent of the face value of its bonds if said bonds were issued for notes at the ratio specified in applicant's trust agreement, heretofore referred to, between Oakland, Antioch and Eastern Railway and Union Trust Company of San Francisco, dated February 1, 1914.

(5) Applicant shall apply the proceeds to be derived from the sale of its notes in the sum of \$700,000.00 toward the liquidation of its floating indebtedness as filed with this Commission in connection with the application herein and marked Exhibit B.

(6) Oakland, Antioch and Eastern Railway shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds and notes hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds and notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(7) In addition to its report, as specified in subsection number (6) above, applicant shall, on the twenty-fifth day of each month, for the month preceding, file with the Commission a statement of the numbers of the bonds pledged as collateral security or sold under this order.

(8) The approval herein given the trust agreement between Oakland, Antioch and Eastern Railway and Union Trust Company of San Francisco, under which said \$700,000.00 of notes are to be issued, is given in so far as said trust agreement is not in conflict with the income tax law of the United States of America, and on the condition that neither this Commission nor any other public body shall be bound thereby to recognize, as a fixed charge against applicant's earnings, any tax that it may elect to pay on said issue of \$700,000.00 of notes under the income tax law of the United States of America.

(9) The authority herein given shall apply to such bonds and such notes as may be issued on or before January 1, 1915.

(10) The authority hereby given to issue bonds shall not become effective until applicant has paid the fee prescribed by section 57 of the Public Utilities Act as amended.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 3d day of February, 1914.

---

DECISION No. 1248.

IN THE MATTER OF THE CHARGES OF PUBLIC UTILITY  
GAS CORPORATIONS FOR NATURAL GAS DELIVERED  
AT WHOLESALE AT POINTS IN LOS ANGELES COUNTY  
OUTSIDE THE LIMITS OF INCORPORATED CITIES AND  
TOWNS.

---

Case No. 464.

*Decided February 3, 1914.*

---

Supplemental order amending original order of the Commission so as to permit the Southern California Gas Company to sell its surplus supply of natural gas, not required for domestic purposes, at a rate of 12 cents per 1,000 cubic feet for industrial purposes only.

REPORT OF THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas Southern California Gas Company has filed with this Commission an application for an order amending the Commission's order of December 20, 1913, in the above entitled proceeding, directing said Southern California Gas Company to establish and file with this Commission, to become effective within thirty days from the date of this order, the rate of fourteen (14) cents for each one thousand (1,000) cubic feet of natural gas delivered by said company at the West Glendale Terminus of the Midway Gas Company's transmission main; and

Whereas by its said application Southern California Gas Company alleges that the consumption of gas for domestic purposes in the city of Los Angeles varies from the maximum amount of about 35,000,000 cubic feet per day during the winter months to the minimum amount of about 10,000,000 cubic feet per day during the remainder of the year, and alleges that during certain portions of the year it can not supply the entire amount of natural gas required for domestic consumption, whereas during other portions of the year it will have a surplus of natural gas not needed for domestic purposes, which surplus applicant desires to dispose of for industrial purposes, so as to be able to use its pipe line to full capacity; and

Whereas Southern California Gas Company alleges that in order to dispose of its gas for industrial purposes it will be necessary to compete

with oil as fuel, and that it can not so compete if it charges more than twelve (12) cents per thousand cubic feet at the Glendale terminus of the Midway Gas Company's main, for which said price of twelve (12) cents per thousand cubic feet applicant is willing to sell natural gas for industrial purposes, although it alleges that such sale will be at a loss; and

Whereas Southern California Gas Company asks for an order of this Commission modifying the Commission's said order of December 20, 1913, "so as to permit until the further order of this Commission the sale by petitioner of gas at said Glendale terminus for industrial purposes at the rate of 12 cents per one thousand cubic feet,"

*It is hereby ordered* that said application be hereby granted, and that Southern California Gas Company be authorized to file with this Commission, until the further order of this Commission, a rate of twelve (12) cents per one thousand cubic feet of natural gas delivered at the Glendale terminus of the Midway Gas Company's main, said gas to be used only for industrial purposes, and said rate to be effective on ten (10) days' notice, on the following conditions only and not otherwise, to wit:

1. Southern California Gas Company shall never use the granting of this application, either directly or indirectly, as an argument for the increase of the rate to be paid at the West Glendale terminus of the Midway Gas Company's main for domestic or other consumption.

2. As the highest use of the natural gas delivered at the end of said Midway Gas Company's main is for domestic consumption, the Southern California Gas Company shall exert its best efforts to sell the highest possible amount of said gas for domestic purposes, so as to thereby conserve the gas for its highest use.

3. Natural gas sold by Southern California Gas Company for industrial purposes shall have a second right only and shall always be subject to the use of gas for domestic purposes, to the end that the natural gas sold by Southern California Gas Company for industrial purposes shall be only the excess gas, which, from time to time, Southern California Gas Company can not sell for domestic purposes.

4. Such natural gas as Southern California Gas Company may desire to sell for industrial purposes shall be sold on equal terms without discrimination to all gas companies and other corporations or persons desiring the use thereof for industrial purposes.

5. This order is only temporary in character and is issued to enable Southern California Gas Company to take care of a temporary condition, and the order is subject to revocation at any time by this Commission.

Dated at San Francisco, California, this 3d day of February, 1914.

Decisions Nos. 1249, 1250, 1251, 1252, and 1253, grade crossings: not printed. See end of volume.

DECISION No. 1254.

CITY OF SAN JOSE

vs.

PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

Case No. 387.

*Decided February 4, 1914.*

Application of the Pacific Telephone and Telegraph Company and certain of its stockholders for a rehearing, based principally upon that portion of the Commission's decision limiting the American Telephone and Telegraph Company to 2½ per cent instead of 4½ per cent of the gross receipts, for services performed, under its contract with the Pacific Telephone and Telegraph Company.

*Held*, That the services performed by the American Telephone and Telegraph Company, of benefit to the Pacific Telephone and Telegraph Company, do not justify a contract calling for 4½ per cent of gross, that 2½ per cent is a just and reasonable allowance for such services, application for rehearing therefore denied.

*John W. Sullivan*, for Complainant.

*Pillsbury, Madison & Sutro and Felix T. Smith*, for Defendant.

*B. S. Crittenden*, for Councilman F. R. Husted.

REPORT OF THE COMMISSION.

OPINION ON APPLICATION FOR REHEARING.

*ESHELMAN, Commissioner.*

This case was decided on the 9th day of October, 1913. Thereafter, within the time allowed by law, the defendant and certain of the stockholders of the defendant company applied for a rehearing. Testimony was taken on the application for rehearing on December 28th and again on January 13th and 14th. On account of the unavoidable absence of the Commissioner hearing the case originally, Commissioner Thelen very kindly consented to take the testimony of the witnesses on January 13th and 14th. I have, however, carefully considered this testimony in reaching the conclusions herein set out.

The main objection of the defendant and of its stockholders to the decision heretofore rendered is directed against that portion of the decision which limits the American Telephone and Telegraph Company to 2½ per cent instead of 4½ per cent which it secures under its contract for services performed. In the decision heretofore rendered, the Commission took the position that inasmuch as this contract was between one corporation, the American Telephone and Telegraph Company, and another corporation, the Pacific Telephone and Telegraph Company—which latter corporation is controlled through stock ownership by the

former corporation—the contract should be scrutinized with the utmost care, and if the amount paid by the Pacific Company to the American Telephone and Telegraph Company was found to be excessive, only that amount should be allowed as a charge against the operating expenses of the Pacific Company which is a reasonable compensation for what is actually done and the lowest reasonable amount for which such service could be performed.

The Commission reached this conclusion because of the following considerations: Of course it is too well established to need citation of authority, that any improvident or extravagant expenditure made by a public utility should not be allowed in its entirety when rates are to be fixed, but only that amount which reasonably and providently should have been expended. Under the peculiar facts of this case, and having in mind the far-reaching effect of the practice here in question, I consider it necessary to announce the position of this Commission with reference to such practices in plain and unmistakable terms.

Nowadays, the owners of property devoted to a public use in a business which is what is commonly styled a natural monopoly, are urging that such natural monopoly should be protected in its field of operation from competition, on the ground that competition divides the business and duplicates the property, thus producing a necessity for higher rates. On the theory that a natural monopoly, such as a telephone company, can give better service at lower rates to its patrons when operating alone in a field than can possibly be given when a portion of its business is taken from it and more property utilized in the particular field upon which an earning shall be required, these utilities urge that they should be permitted to operate free from competition. And this theory, upon which it is urged that natural monopolies shall be protected from competition, is justified on the ground of a benefit to the public. While this theory may be ever so sound, it does not lie in the mouth of a utility representative to urge such protection on the ground that such protection is good for its patrons, when, as a matter of fact, it does not accord to its patrons the benefits such monopoly is supposed to produce. The fact that better service and lower rates usually are attendant on competition even between natural monopolies, naturally leads to the conclusion on the part of patrons of natural monopolies that the better service and lower rates are the result of such competition. Of course such is not the fact, because however low the rate and however good the service may be given under competition between two agencies where one could do the work, the rate could be lower and the service better if the one were unmolested. This, of course, is capable of mathematical demonstration, but those of us who are engaged in public utility regulation have long ago lost patience with the contention of the monopolist that his monopoly shall

be protected on the ground that it affords a benefit to the public, when, as a matter of fact, it brings about and is attended by added burdens upon the public, and too often results in management oblivious to the public welfare. Life is entirely too short to be utilized in trying to make natural monopolies do what they say they can and ought to do without competition. If their own self-interest does not lead them voluntarily to do that which they should do, they can not long expect the public to protect them when such protection, instead of benefiting the public as patrons, rather subjects such patrons to abuses that do not exist under competition.

I can not urge too strongly upon the utilities in this State that are now protected by a certificate of public convenience and necessity, the fact that however sound this provision is in theory, if it does not work out in practice it will be eliminated. It can only be justified in the minds of the public on the ground that it is good for the public, and it can only be demonstrated that it is good for the public if, as a matter of fact, the public can be shown benefits resulting from it.

In very few cases has this Commission refused to permit competition to exist, and in those cases we are beginning to be presented with charges that the agency thus protected from competition is becoming arrogant and forgetful of the rights of the public. Self-interest apparently makes the most potent appeal, and if utilities are to be so short-sighted that they can not see that self-interest requires as considerate and honest treatment of their patrons when there is no competition as is accorded when competition exists and in addition lower rates and better service, then some other method than regulation must be found to make them realize this fact. This results because this Commission is not and can not be equipped with sufficient employees to watch every utility employee and scrutinize every utility practice in this State.

What has just been said has a direct bearing on the case here presented, and led me to suggest to the representatives of the Pacific Company and the American Telephone and Telegraph Company that it was not enough for them to show that the Pacific Telephone and Telegraph Company for the  $4\frac{1}{2}$  per cent which it pays secures as much or more than it could secure elsewhere than from the American Telephone and Telegraph Company, but that the American Telephone and Telegraph Company was getting no more out of the  $4\frac{1}{2}$  per cent than the amount for which it could reasonably perform the services rendered. For if such is not the case there would be brought about a result where it is attempted to justify a condition of monopoly on the part of the American Telephone and Telegraph Company, while giving to it, the monopoly, the benefit which is supposed to be accorded to the public and which alone could give sanction to such monopoly.

The Pacific Gas and Electric Company serves many localities in this State with electricity and gas. I merely take this company as an illustration because of the extent of its operations. Suppose that company, instead of dealing directly with all of the municipalities within the territory served by it, should organize companies in each of such municipalities and then organize a holding company which would own the stock or a controlling interest in the stock of these local companies, and should sell its commodity in bulk to these subsidiary agencies which it controls and should arbitrarily fix the price which was not the price at which the holding company could afford to produce the commodity, but the price which the controlled company could be induced to pay. Under the present condition the Pacific Gas and Electric Company, in a rate-fixing inquiry, shows what it costs it to produce its commodity, but in the suggested instance such would not be the case, but the amount charged against the consumers would be that which the local company would have to pay for its electricity or gas and not the cost of production. Thus we have a condition exactly analogous to the one here where the American Telephone and Telegraph Company controls the Pacific Telephone and Telegraph Company, and various other telephone and telegraph companies throughout the United States, and performs for them certain services under contracts at rates dictated by itself. I submit that if this condition is to be permitted to exist, what it costs the American Telephone and Telegraph Company to perform the service which it actually performs for the Pacific Telephone and Telegraph Company is the only thing which this Commission ought to consider and the only thing for which either the Pacific Telephone and Telegraph Company or the American Telephone and Telegraph Company, in face of the relation which exists between them, has a right to contend.

This was the position taken in the original decision in the case before us, but nevertheless finding it impossible to apply it in its entirety, we located all of the services which we could find are performed by the American Telephone and Telegraph Company in the San Jose area, and put upon that service the price for which these companies contend, and found that the amounts thus arrived at only equal  $2\frac{1}{2}$  per cent of the gross collected in the area in question.

The American Telephone and Telegraph Company, hereinafter called the American Company, intervening as a stockholder, produces evidence along the line suggested by this Commission, and attempts to show that it actually costs it to perform the services which it performs for the Pacific Telephone and Telegraph Company, hereinafter called the Pacific Company, an amount approximating that which it receives.

The American Company controls twenty companies and has its operations grouped into eight divisions: the New England division, the



eastern division, the southern division, the central division, the northwestern division, the southwestern division, the mountain division, and the Pacific division.

The Pacific division, wherein the Pacific Company operates, includes California, Nevada, Oregon, Washington and a part of Idaho.

The bonded indebtedness of the American Company amounts to \$163,604,000.00, and it had outstanding on November 30, 1913, \$344,606,400.00 par value of common stock. The bonds of this company bear interest at 4, 4½ and 5 per cent. This company owes on notes \$12,550,000.00 and pays thereon 5 per cent on all but \$1,500,000.00, and 5½ per cent on that amount. This borrowed money was used in the purchase of securities in the associated companies and in the purchase of telephone instruments, additions to long distance lines, and for working capital. Most of the property of this company consists of the stock and bonds of its associated companies. The American Company has regularly since 1907 paid 8 per cent dividend on all of its stock and has in addition thereto been setting aside certain amounts to surplus, averaging more than \$3,000,000.00 per year. The operation of this company is twofold. It carries on what it calls its long lines department, which consists of certain long distance development, none of which is in the territory of the Pacific Company, and its general department, which controls and manages the associated companies. Slightly less than \$50,000,000.00 is invested in its long lines department, leaving the remainder of the estimated value of its property, approximating \$560,000,000.00, in its general department. Regardless of this fact, it is in evidence that there are 4,090 employees of this company in its long lines department, while there are only 574 employees in the general department. The company has an income of approximately \$300,000,000.00 per year, and it carries a surplus usually around \$35,000,000.00.

The American Company and its predecessor, the National Bell Telephone Company, own the fundamental telephones covering the invention of Dr. Alexander Graham Bell, and those companies subsequently acquired other patents for improvements on telephones and transmitters. The American Company had the telephones and transmitters manufactured and licensed them to companies formed in various portions of the United States. The payment for the use of the instruments was originally a flat sum per instrument or pair of instruments. Subsequently, on the 29th of November, 1902, there was substituted for the payment for the licensed instruments used by the Pacific Company a straight 4½ per cent of the gross income of the Pacific Company. As far as the contract, which is the basis of the 4½ per cent payment, is concerned, the only obligation which rests upon the Pacific Company is

the obligation to pay for the rental of telephones, and there is no legal obligation resting upon the American Company, so far as can be learned from the contract, requiring it to do more than furnish the licensed instruments. The practice has grown up, however, whereby the American Company performs various other services in addition to the mere rental of instruments for the Pacific Company, and it is urged that these services are of such a nature that the  $4\frac{1}{2}$  per cent is justified.

The general department, in which there are but 574 employees, is the department which alone performs these services. It is in effect an organization of advisors who supervise the various departments of the local companies. For such advice and the other services heretofore referred to, the American Company received in 1912 from the Pacific Company, \$728,189.68. It is urged that the services are very valuable to the Pacific Company and costly to the American Company; and there is evidence that the services performed are both valuable to the Pacific Company and expensive to the American Company, but they are of such a general nature that it is impossible to compute them. It is apparent, however, that the expense of the business management of this holding company is also, by the method here involved, saddled upon the local companies. Aside from the admitted services performed by the American Company it is in effect a banking and bond house carrying a large surplus and loaning the same to its subsidiary companies when needed, but replenishing it from the revenues received from the dividends on the stock which it holds in the subsidiary companies and from the  $4\frac{1}{2}$  per cent which it secures from them. Likewise, it holds stocks and securities of these local companies, and the business administration which would be necessary to take care of this tremendous fund would appear to require many of the employees in the general department whose services are, under the arrangement here in force, charged up against the subsidiary companies.

The fact that the long lines department, using one tenth the property, has ten times as many employees, shows the difference between the kind of an organization represented in the general department and that represented in the long lines department where actual telephone business is carried on. I believe that an arrangement has here been brought about where it actually would be necessary and advisable to protect and further its own interest, for the American Company to perform whatever services it does perform for its subsidiary companies, and that its own business, wherein it secures 8 per cent for its stockholders, requires it to retain this organization; and it is certainly very apparent that the surplus which it is enabled to carry is the result of the monopoly and the control which it exerts over its subsidiary com-

panies, and it is not proper to say that it would be more expensive for these companies to finance themselves, if they were broken up, than is now the case, unless it is proper to say that a monopoly may justify its existence and also keep the benefits which are supposed to flow from the monopoly to the patrons thereof. Furthermore, by this arrangement, the American Company secures a market for the product manufactured by one of its subsidiary companies—the Western Electric Company—secures a large field for the exploitation of any patented article which it controls and is furnished a field wherein to operate with its experts looking to the betterments of telephone facilities, which latter, of course, benefits the public but likewise benefits the American Company. It makes a profit from the sale and rental of its instruments as well as the material and supplies furnished its subsidiary companies, because the agency manufacturing these instruments and dealing in these supplies is an agency controlled by the American Company and upon the stock of which it secures a dividend. In every field of its operation, if the American Company were performing the service directly for its own patrons and not for patrons of its subsidiary companies, the cost of performing the service would appear in operating expenses and no profit would be allowed. The profit which would be allowed to it under these circumstances would be a return upon the property actually devoted to the public service after all of the operating expenses and other legitimate charges had been paid, and would not include the profit which is now secured through the Western Electric Company or upon the patented articles in which it deals or the profit and advantage which comes to it by reason of its ability to have always available a large surplus, which we have already discussed.

The testimony does not show, even permitting the saddling of the expense upon the subsidiary companies of the management of this large financial concern which is carried on in the interest of the stockholders of the American Company and not primarily in the interest of the subsidiary companies, that even on this basis the cost of doing the business equals the amount received from it. The Commission in the San Jose case reduced the  $4\frac{1}{2}$  per cent to  $2\frac{1}{2}$  per cent, thereby bringing about a 44 per cent reduction in the amount allowed to the American Company, and it is in testimony that the cost of performing this service for the subsidiary companies has been from 10 to 20 per cent less than has been secured, even when the entire cost of doing what is, in my judgment, unrelated business, is put upon the subsidiary companies. I am very strongly of the opinion that although, as I have already said, the exact cost of performing these services if they were performed by a disinterested agency, is impossible of computation, yet the additional

reduction imposed by the Commission is justified, even admitting, as I do not, the propriety of taxing the subsidiary companies for the business management of the American Company. And finally, when we consider that this controlling company, even admitting the validity of its contract with its creature company here under consideration, is not obligated legally to perform the services upon which it seeks to justify a charge admittedly in excess of the proper payment for the service which it is legally bound to perform, we are led to conclude that there is small merit in its contention that it performs these additional services for the benefit of the subsidiary companies and their stockholders, and not for the benefit of its own stockholders.

It is in testimony that over 90 per cent of the investment of the American Telephone and Telegraph Company is invested in the subsidiary companies and less than 10 per cent in the long lines company. The three sources of revenue of this company are from the long lines company, the dividends on securities of the subsidiary companies and the  $4\frac{1}{2}$  per cent contract. If for each share of the American Company's stock there were held by this company one share of stock in the subsidiary companies, it of course would follow that unless 8 per cent were earned on each share of the stock of the subsidiary companies owned by the American Company, the American Company could not earn 8 per cent on its stock, to say nothing of a \$3,000,000.00 accumulating surplus annually, unless the  $4\frac{1}{2}$  per cent contract or the long lines business made up the difference. It follows that if the subsidiary companies are not as prosperous as the American Company the  $4\frac{1}{2}$  per cent contract must be a profitable contract to the American Company, and I am convinced from the evidence that it is, and I would expect to find it such, from the standpoint of the American Company, and am more confirmed in this belief by the very fact that it maintains this contract with companies in which it does not own all the stock, because we do not find commercial business agencies voluntarily and knowingly entering into a contract—and in this case a contract which could be forced, if the American Company desired it—in the benefits to which others, not parties to such contract, participate, unless the contracting agency thus voluntarily and knowingly entering into this relationship believes such contract does not work to the advantage of some one who does not pay for such advantage. In other words, we would not find this company originally willing to enter into a contract and now contending that it shall be upheld if the minority stockholders of the Pacific Company were getting something out of this contract for which they did not pay.

If instead of a holding company and these subsidiary companies we substitute a single agency, it will readily appear that a profit on these services here considered could not be permitted because it would be a profit on operating expenses and not an earning on property, and such being the case, an indirect profit which is a diversion through operating expenses to dividends of the American Company should not be permitted.

I have discussed these matters somewhat in detail and have given very serious and careful consideration to the evidence, because I desire to present to this company, as clearly as I may, the inclination of this Commission with reference to this matter. However, in the case before us, only a very small portion of this company's business is considered, and it may be improper to conclude this matter in this proceeding. I believe the rates ordered in the case are just rates under all the circumstances of the case, and while I think it will be apparent what the inclination of the Commission is with reference to this  $4\frac{1}{2}$  per cent charge from what has been here said, still I am willing that it shall not be considered as concluded, and that although the amount allowed here must be permitted to stand under the conditions surrounding the San Jose exchange, yet in a subsequent proceeding this company may be permitted again to present the entire matter of its  $4\frac{1}{2}$  per cent contract to the Commission, and preferably in some case where a larger portion of this company's business is involved, in which event the effect of the arrangement between these companies may be more clearly seen.

I submit the following order:

**ORDER.**

Heretofore, on the 9th day of October, 1913, this Commission having entered an order in the above entitled proceeding, and within the time allowed by law an application having been filed for a rehearing thereon, and testimony having been taken on such application and being fully apprised in the premises, and being of the opinion that a rehearing is not justified in this case,

*It is hereby ordered* that the application for rehearing herein, both on the part of the defendant and of certain stockholders of defendant, be and the same is hereby denied.

The foregoing opinion and order on application for rehearing are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of February, 1914.

## DECISION No. 1255.

ED P. REED

*vs.*

PACIFIC ELECTRIC RAILWAY COMPANY.

Case No. 525.

*Decided February 6, 1911.*

## REPORT OF THE COMMISSION.

**ORDER OF DISMISSAL.**

Ed P. Reed having on January 27, 1914, made written request to this Commission that the complaint in the above entitled proceeding be dismissed,

*It is hereby ordered* that the complaint in the above entitled proceeding be, and the same hereby is, dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 6th day of February, 1914.

## DECISION No. 1256.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR A FINDING BY SAID COMMISSION APPROVING A SCHEDULE OF RATES AND CHARGES FOR ELECTRIC LIGHT AND POWER SERVICE FURNISHED IN CERTAIN UNINCORPORATED TERRITORY IN THE COUNTY OF LOS ANGELES, DESIGNATED AS LAMANDA PARK, SAN RAFAEL HEIGHTS, ALTADENA AND LINDA VISTA.

Application No. 974.

*Decided February 6, 1914.*

Application of the Southern California Edison Company to establish and put into effect a new schedule of rates for territory adjacent to the city of Pasadena, so as to place said rates on a parity with those of the municipality, granted.

## REPORT OF THE COMMISSION.

This is an application by Southern California Edison Company for authority to increase its rates and charges for electric light and power service furnished in certain localities in the county of Los Angeles.

Heretofore applicant has been furnishing the citizens of Pasadena, and the territory immediately adjacent thereto, known as Lamanda Park, San Rafael Heights, Altadena and Linda Vista, with electric current for lighting and power purposes, at rates which were lower than the rates charged citizens of Pasadena by the city of Pasadena for service furnished from the municipally owned electric plant.

Upon the going into effect of chapter 276 of the laws of California for the year 1913 applicant deemed it necessary in order to comply with the law to raise its rates in Pasadena to the level of the municipal rates, which was done.

The following situation resulted: In Pasadena applicant had one rate, in the territory served from the same plant with the same facilities, employees, etc., immediately outside of Pasadena, the old and lower Pasadena rate prevailed, and in the rest of the territory served by applicant, a rate higher than either of the other two rates was in effect. The purpose of this application is to permit applicant to put its consumers served from the Pasadena plant upon a level as to rates.

Obviously, dissatisfaction would result if consumers served with an identical service from the same plant were given different rates. And as the Commission is not in a position at this time to hold that a just and reasonable rate over the entire territory served by applicant is a rate as low as that now being charged in the city of Pasadena, and as the company is willing to apply the present Pasadena rate to the immediately adjacent territory rather than to apply the higher rate charged over the rest of its system, this application should be granted.

This is an application which, under the present circumstances, does not require a public hearing, and, therefore, the order should be granted *ex parte*.

#### ORDER.

Application having been made by Southern California Edison Company for permission to increase its rates for electric light and power service furnished in certain unincorporated territory in the county of Los Angeles, designated as Lamanda Park, San Rafael Heights, Altadena and Linda Vista, and it having been determined by the Commission that said application does not require a public hearing and should be granted,

*It is hereby ordered* that the Southern California Edison Company is hereby authorized to charge its consumers in that territory designated as Lamanda Park, San Rafael Heights, Altadena and Linda Vista, the following rates:

#### **For Incandescent Lighting.**

*"Class A"*—The first 100 kilowatt hours, or less, of energy furnished in any one month to any consumer, 5 cents per kilowatt hour.

**"Class B"**—The kilowatt hours of energy in any one month to any consumer in excess of 100 kilowatt hours and not exceeding 500 kilowatt hours,  $4\frac{1}{2}$  cents per kilowatt hour.

**"Class C"**—The kilowatt hours of energy furnished in any one month to any consumer in excess of 500 kilowatt hours and not exceeding 1,000 kilowatt hours, 4 cents per kilowatt hour.

**"Class D"**—The kilowatt hours of energy furnished in any one month to any consumer in excess of 1,000 kilowatt hours and not exceeding 2,000 kilowatt hours,  $3\frac{1}{2}$  cents per kilowatt hour.

**"Class E"**—The kilowatt hours of energy furnished in any one month to any consumer over 2,000 kilowatt hours, 3 cents per kilowatt hour.

Free renewals of the "Gem" metalized filament lamps and carbon filament lamps.

**For Arc Lighting.**

**"Class A Arc"**—The first 100 kilowatt hours, or less, of energy furnished in any one month to any consumer, 4.9 cents per kilowatt hour.

**"Class B Arc"**—The kilowatt hours of energy furnished in any one month to any consumer in excess of 100 kilowatt hours and not exceeding 500 kilowatt hours,  $4\frac{1}{2}$  cents per kilowatt hour.

**"Class C Arc"**—The kilowatt hours of energy furnished in any one month to any consumer in excess of 500 kilowatt hours, 4 cents per kilowatt hour.

A minimum monthly charge of 60 cents per meter of three kilowatt capacity or less, and 30 cents for each additional kilowatt of meter capacity required, shall be made for each meter.

**For Power Service.**

**"Class A Power"**—The first one hundred (100) kilowatt hours of energy or less, furnished in any one month to any consumer, 4 cents per kilowatt hour.

**"Class B Power"**—The kilowatt hours furnished in any one month to any consumer in excess of one hundred (100) kilowatt hours, and not exceeding three hundred (300) kilowatt hours, 2.4 cents per kilowatt hour.

**"Class C Power"**—The kilowatt hours of energy furnished in any one month to any consumer in excess of three hundred (300) kilowatt hours, and not exceeding five hundred (500) kilowatt hours, 2.4 cents per kilowatt hour.

**"Class D Power"**—The kilowatt hours of energy furnished in any one month to any consumer in excess of five hundred (500) kilowatt hours and not exceeding one thousand (1,000) kilowatt hours, 2 cents per kilowatt hour.

**"Class E Power"**—The kilowatt hours of energy furnished in any one month to any consumer in excess of one thousand (1,000) kilowatt hours and not exceeding fifteen hundred (1,500) kilowatt hours, 2 cents per kilowatt hour.



*"Class F Power"*—The kilowatt hours of energy furnished in any one month to any consumer in excess of fifteen hundred (1,500) kilowatt hours and not exceeding two thousand (2,000) kilowatt hours, 1.9 cents per kilowatt hour.

*"Class G Power"*—The kilowatt hours of energy furnished in any one month to any consumer in excess of two thousand (2,000) kilowatt hours and not exceeding three thousand (3,000) kilowatt hours, 1.8 cents per kilowatt hour.

*"Class H Power"*—The kilowatt hours of energy furnished in any one month to any consumer over three thousand (3,000) kilowatt hours, 1.2 cents per kilowatt hour.

Monthly minimum charge \$1.00 of 1½ kilowatt capacity or less, and 75 cents for each additional kilowatt of meter capacity required.

Dated at San Francisco, California, this 6th day of February, 1914.

#### DECISION No. 1257.

### IN THE MATTER OF THE APPLICATION OF OAKLAND, ANTIOCH AND EASTERN RAILWAY FOR AUTHORITY TO ISSUE BONDS AND NOTES.

Application No. 939.

*Decided February 6, 1914.*

#### REPORT OF THE COMMISSION.

#### SUPPLEMENTAL ORDER.

LOVELAND, *Commissioner*.

In its order of February 3, 1914, in the above entitled matter, this Commission granted authority to Oakland, Antioch and Eastern Railway to issue \$500,000.00 of its first mortgage 5 per cent thirty-year bonds and to issue \$700,000.00 of its four-year 6 per cent collateral trust notes, and provided, as a condition in said order, that said \$500,000.00 of Bonds should not be sold until this Commission should have issued a supplemental order approving the detailed engineering data and specifications for the additions and betterments and equipment to be acquired from the sale of said \$500,000.00 in bonds; and such detailed engineering data and specifications having been filed,

*It is hereby ordered* that the same be and they are hereby approved.

By order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 6th day of February, 1914.

## DECISION No. 1258.

T. D. JOHNSTON

vs.

SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS.

Case No. 412.

*Decided February 6, 1911.*

Complaint of T. D. Johnston, petitioning the Commission to compel the San Francisco-Oakland Terminal Railways to enclose all of their cars running on their suburban lines with vestibule doors, dismissed.

*T. D. Johnston*, for Complainant.

*George W. Mordecai, Jr.*, for Defendant.

## REPORT OF THE COMMISSION.

*EDGERTON, Commissioner.*

This is a complaint by T. D. Johnston against San Francisco-Oakland Terminal Railways, in which it is alleged that defendant is operating cars on its interurban and suburban lines which do not adequately provide for the convenience of its patrons and employees in that a portion of said cars are of the open-end type, as a result of which patrons and employees are compelled to ride exposed to the weather.

The prayer is that the defendant be compelled to equip all of the cars operated on its lines with vestibule doors, arranged so as to at all times protect the patrons and employees from inclement weather.

At the hearing defendant objected to any further proceedings being taken by the Commission on the ground of want of jurisdiction, but in view of the conclusions hereinafter arrived at, it will be unnecessary to pass on that point.

Defendant operates both a city street car system and an interurban system, and while the complaint includes all of the lines operated by defendant, the testimony was confined to the line operated between Oakland, Emeryville, Albany and Richmond, a line about twelve miles long.

The testimony shows that about one half of the cars operated on this line are entirely enclosed, and the other half have open ends. There was some testimony by patrons of this line that during stormy weather the rain driven by the wind blew in upon passengers where they sat in these open-end cars, and of course if these ends were enclosed there would be protection against this discomfort.

On the other hand, there were a larger number of witnesses who testified that they preferred the open-end cars, even though at times of bad weather there were times of slight inconvenience.

No employee of the company appeared at the hearing, and there is no way of determining whether or not these employees are suffering discomfort except by hearsay statements made at the hearing.

It is a question whether in this part of California the entirely closed interurban electric car is the more comfortable and pleasant for passengers, or whether the open-end car, affording as it does opportunity to ride in the air and to enjoy an uninterrupted view of the scenery, is preferable. I think it is obvious that in all parts of California there will be times when the weather conditions will make the open ends of cars somewhat uncomfortable for the traveling public, but considering the comparatively short period of stormy weather each year in this part of California, I think it is open to question whether all cars should be enclosed.

In any event, the evidence in this case, in my judgment, is altogether insufficient to warrant a conclusion that the cars which are now operated on the line in question should be enclosed.

I therefore recommend that the complaint be dismissed, and submit herewith the following form of order:

**ORDER.**

Complaint having been made that some of the cars operated on the interurban and suburban lines of defendant are open cars, and that defendant should be compelled to enclose said cars in order to furnish adequate and comfortable service to its patrons, and a public hearing having been had, and it appearing to the Commission from the findings set out in the foregoing opinion that said complaint is not well founded and should be dismissed.

*It is hereby ordered* by the Railroad Commission of the State of California, that the complaint herein be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 6th day of February, 1914.

Decision No. 1259, grade crossing; not printed. See end of volume.

DECISION No. 1260.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR AUTHORITY TO INCREASE ITS RATES ON LUMBER BETWEEN SAN FRANCISCO, SOUTH VALLEJO, MAIL DOCK AND MARE ISLAND SHOWN IN SOUTHERN PACIFIC COMPANY'S TARIFF C. R. C. NO. 1589.

Application No. 867.

*Decided February 6, 1911.*

Application of the Southern Pacific Company to cancel its present rates on lumber between San Francisco, South Vallejo and Mail Dock on one hand and Mare Island on the other, and to put into effect a rate of \$2.00 per thousand feet on lumber in any quantity, granted.

*George D. Squires, for Applicant.*

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This is an application of the Southern Pacific Company to increase the rates on lumber between San Francisco, South Vallejo and Mail Dock, on one hand, and Mare Island on the other.

The present rates are:

	Rate in cents per ton of 2,000 pounds	
	In lots of less than 20,000 pounds	In lots of 20,000 pounds or more
Lumber (pieces not exceeding 20 feet in length).....	100	75
Lumber (pieces over 20 feet in length).....	190	150
Timber, short or long.....	250	200

It is desired to cancel these rates and establish a rate of \$2.00 per thousand feet on lumber in any quantity. This would result in a reduction in the rate on timbers. On dry lumber the proposed rate would be approximately \$1.60 per ton and on green lumber \$1.21 per ton, while the rate on timbers would be reduced from \$2.50 per ton less carloads or \$2.00 carloads to a flat rate approximating \$1.60 per ton for dry timbers and \$1.21 per ton for green timbers.

It was testified by witnesses for the applicant that a large amount of lumber came to South Vallejo in carloads and had to be transferred by the steamer crew from the car to the boat and that the average time for a crew of eight men in transferring a carload of lumber from

car to boat, transporting thence to Mare Island and unloading it on the wharf at the Navy Yard was about five hours, and that the cost per hour for the crew performing the service was \$6.00 per hour.

Under the circumstances it is plainly apparent to me that the present rates are not remunerative and the applicant should be permitted to advance them. I believe the application should be granted, and recommend the following order:

**ORDER.**

Southern Pacific Company having applied to increase rates on lumber between San Francisco, South Vallejo and Mail Dock, on one hand, and Mare Island on the other, to a flat rate of \$2.00 per thousand feet board measurement, and a hearing having been held, and it appearing to the Commission that such advance is justified,

*It is hereby ordered* that said application be and the same is hereby granted.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State

Dated at San Francisco, California, this 6th day of February, 1914.  
of California.

---

DECISION No. 1261.

SWIFT & WILSON

vs.

SOUTHERN PACIFIC COMPANY.

---

Case No. 512.

*Decided February 7, 1914.*

---

Complaint alleging that defendant's rates on sand from Lapis and Seaside to Berkeley, and on lime from Felton to Berkeley, are excessive and discriminating, and asking reparation on shipments which moved during the last three years, dismissed.

*Chas. Clifford*, for Complainant.

*Geo. D. Squires* and *Frank B. Austin*, for Defendant.

REPORT OF THE COMMISSION.

ESHLEMAN, *Commissioner*.

This complaint alleges that the rates on sand from Lapis and Seaside to Berkeley, and on lime from Felton to Berkeley, are excessive and discriminatory in that they are higher than the rates from the same points of origin to Oakland, West Berkeley, Richmond and inter-

mediate points. Reparation is asked for in connection with shipments moved during the years 1911, 1912 and 1913.

In substance, complainant contends that Berkeley (freight station), located on a branch line 2.3 miles from the main line junction point at Shell Mound, should be grouped with Oakland, West Berkeley and Richmond, and have the benefit of the same commodity rate as apply to points located on the main line; and further, that since Berkeley has the Oakland-Richmond rates on a few commodities, such as cement and brick from certain specified points, it should also have the Oakland-Richmond rates on sand from Lapis and Seaside, and on lime from Felton.

At the hearing a witness connected with defendant's traffic department testified that the rates on sand, under normal conditions, were constructed on the following mileage scale:

60 miles or less.....	$\frac{3}{4}$ cent per ton per mile
(minimum 25 cents per ton, except for bay service to San Francisco, when it is 40 cents per ton.)	
75 miles and over 60 miles.....	50 cents per ton
90 miles and over 75 miles.....	55 cents per ton
105 miles and over 90 miles.....	60 cents per ton
120 miles and over 105 miles.....	65 cents per ton
135 miles and over 120 miles.....	70 cents per ton
150 miles and over 135 miles.....	75 cents per ton
151 miles and over .....	$\frac{1}{2}$ cent per ton per mile

Because of water competition an exception is made to the application of this basis. The authority is shown in Item No. 3, Southern Pacific Company G. F. D. 198-D, C. F. C. 1702, reading:

"On carload freight between points west of Richmond, Cal. (except as shown in Item No. 2) on the one hand, and on the other Richmond (Southern Pacific Co.'s station), Cal., and apply rates applicable to or from Richmond (Southern Pacific Co.'s station), Cal., but in no case exceed rates applicable to or from Oakland Wharf, Cal."

This makes the rate on sand from Lapis to Richmond (116 miles) 60 cents, the Oakland rate for 105 miles, and from Seaside to Richmond (125 miles) 65 cents, the Oakland rate for 114 miles. The same compelling conditions give Richmond the benefit of the Oakland rate of \$1.20 per ton on lime from Felton.

Berkeley is not intermediate to Richmond and does not enjoy the Oakland-Richmond water-compelled rates. The rates, however, to Berkeley can not exceed the rates to Oakland plus switching charge of \$2.50 per car, and this combination appears to have been applied to all shipments included in this complaint when lower than the through rate.

I do not agree with complainant that the rates called into question in this case are excessive and discriminatory when compared with rates on the same commodities to Oakland and Richmond.

Upon a consideration of all the facts in the case, it is my conclusion that the rates charged on sand from Lapis and Seaside to Berkeley, and on line from Felton to Berkeley, have not been shown to be excessive and discriminatory, and, therefore, the complaint should be dismissed.

I recommend that the application be denied and submit the following order:

**ORDER.**

Swift & Wilcox (copartnership) having filed its complaint against the Southern Pacific Company praying for reparation on certain shipments of sand and lime, referred to in the opinion hereto, and a hearing having been held, and being fully apprised in the premises,

*It is hereby ordered* that the complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of February, 1914.

---

DECISION No. 1262.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA AND OREGON TELEGRAPH COMPANY TO SELL ITS PLANT TO NEVADA, CALIFORNIA AND OREGON TELEGRAPH AND TELEPHONE COMPANY AND OF THE LATTER COMPANY TO ISSUE BONDS OF THE FACE VALUE OF TWENTY-EIGHT THOUSAND TWO HUNDRED AND NINETY-NINE DOLLARS AND SEVENTY-NINE CENTS.

Application No. 837.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA NORTHERN TELEPHONE AND TELEGRAPH COMPANY TO SELL ITS PLANT TO NEVADA, CALIFORNIA AND OREGON TELEGRAPH AND TELEPHONE COMPANY AND OF THE LATTER COMPANY TO ISSUE BONDS OF THE FACE VALUE OF SIXTY-SEVEN THOUSAND, TWO HUNDRED AND NINETY-NINE DOLLARS AND SIXTY CENTS.

---

Application No. 876.

*Decided February 7, 1914.*

---

Application of the California and Oregon Telegraph Company and the California Northern Telephone and Telegraph Company to sell their respective telephone and telegraph systems to the Nevada, California and Oregon Telegraph and Telephone Company, granted.

Nevada, California and Oregon Telegraph and Telephone Company authorized to issue bonds of the face value of \$55,000.00; \$15,000.00 of said bonds to be paid to the California and Oregon Telegraph Company and \$40,000.00 face value to the California Northern Telephone and Telegraph Company.

*Scott Hendricks* and *W. E. Hills*, for Applicants.

*H. W. Erskine* for Mr. and Mrs. Hall, protesting minority stockholders.

#### REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

The two applications involved herein were, by stipulation on the part of all parties concerned, consolidated for hearing. The opinion and order as here presented will, therefore, suffice for the two. While the hearing was pending, Mr. Erskine, representing Mr. and Mrs. W. H. Hall, protesting minority stockholders of the California and Oregon Telegraph Company, reached an agreement with the representatives of the applicants herein and withdrew the protest. This matter was covered by stipulation, as appears in the record of the case.

The three companies involved in this application operate telephone and telegraph lines in the northeastern section of California and portions of Oregon and Nevada. They operate in Plumas, Modoc and Lassen counties, California.

The corporations concerned in this application are the following:

1. Nevada, California and Oregon Telegraph and Telephone Company. This company operates along the right of way of the Nevada, California and Oregon Railway from Reno, Nevada, to Lakeview, Oregon, serving the following points: Reno, Nevada; Plumas Junction, Doyle, Amadee, Hot Springs, Secret Valley, Horse Lake, Madeline, Likely, Alturas, Davis Creek, Willow Ranch and Fairport, California; New Pine Creek and Lakeview, Oregon.

The company's last report filed with the Commission shows 190 miles of line, 9 telegraph stations and 12 telephone stations.

2. California and Oregon Telegraph Company. This company operates a telegraph line extending from Reno, Nevada, to Lakeview, Oregon, by way of Susanville, and from Susanville to Quincy. It serves the following points: Reno, Nevada; Lakeview, New Pine Creek, Oregon; Susanville, Alturas, Quincy, Greenville, Fort Bidwell, Lake City, Cedarville, Eagleville, Adin, Nevis, Likely, Shumway, Madeline, Wilsons, and Highgrade, California.

This line was built in the seventies, and although it had 340 miles of wire, much of it is in such a condition as to make it almost inoperative.

3. California Northern Telephone and Telegraph Company. This company operates in Quincy, Keddie, Indian Falls, Crescent Mills, Greenville, Prattville, Susanville, Coppervale, Janesville, Milford, Doyle, Standish, Hot Springs, Litchfield, Missilville, Bieber, and Adin, Modoc County.



This company operates 370½ miles of wire and 176 telephones. This line was built principally in 1911 and 1912.

In the applications herein the Commission is asked to authorize the consolidation of these properties. It is urged in behalf of the applicants that such a consolidation would reduce costs and increase efficiency. It is pointed out that the plant facilities are duplicated at certain points, and that such duplication may be eliminated not only without impairment of service or increase in rates, but on the other hand the applicants have indicated the various ways in which they propose to improve the service, and have stated further their intention to reduce rates. It is proposed after the consolidation to make more convenient connections with the Western Union Telegraph Company and The Pacific Telephone and Telegraph Company and thus to give to the territory a more direct and efficient through service than it now enjoys.

This matter comes before the Commission upon the application of California and Oregon Telegraph Company and of California Northern Telephone and Telegraph Company to sell their entire plants and to transfer their franchises to Nevada, California and Oregon Telegraph and Telephone Company. This will bring all of the properties into the ownership of Nevada, California and Oregon Telegraph and Telephone Company.

In payment for these properties application is made on behalf of Nevada, California and Oregon Telegraph and Telephone Company to issue bonds. The request comes before the Commission for authority to issue bonds in the sum of \$28,299.79 to acquire the properties and liquidate the indebtedness of California and Oregon Telegraph Company, and to issue bonds in the sum of \$67,299.60 to acquire the properties and liquidate the indebtedness of California Northern Telephone and Telegraph Company.

Before inquiring into the bond features of this application I shall consider the application to consolidate.

Previous application was made to this Commission for authority to effect a somewhat similar arrangement by contracts and leases. The applicants asked that this matter be held in abeyance and submitted in lieu thereof their present plan of consolidation by outright purchase.

The sections of Lassen, Plumas and Modoc counties through which these three corporations operate are sparsely settled. It is a country of long line mileage with few patrons. During the past few years, however, this section of the country has been developing much more rapidly than in the past. The construction of the Western Pacific Railway, the extension of the Nevada, California and Oregon Railway, and the construction of the Fernley-Lassen Branch of the Southern Pacific into Susanville have served to develop large sections of these three counties. At the same time there has been a great agricultural

expansion. This growth has rendered the present telephone and telegraph systems inadequate, and it is necessary that there be improvement to keep pace with the agricultural and transportation development. The applicants have established clearly that they propose to merge these three lines into one comprehensive and efficient system. I am convinced that one company, properly regulated, can operate these systems to better advantage than can the three companies as at present constituted. I recommend, therefore, that California and Oregon Telegraph Company and California Northern Telephone and Telegraph Company be given authority to sell their property to Nevada, California and Oregon Telegraph and Telephone Company.

In its original application to issue bonds, Nevada, California and Oregon Telegraph and Telephone Company asked for authority to issue bonds to the total of \$95,599.39. In a supplementary statement, however, request is made to authorize bonds in the sum of \$96,095.82. It is the applicant's desire to issue these bonds for the following purposes:

To be given to stockholders of California and Oregon Telephone Company in exchange for their properties.....	\$20,000 00
To pay indebtedness of California and Oregon Telegraph Company .....	8,748 34
To be given to stockholders of California Northern Telephone and Telegraph Company in exchange for their properties..	60,000 00
To pay indebtedness of California Northern Telephone and Telegraph Company.....	7,347 48
Total .....	\$96,095 82

At the hearing it was stipulated that while applicant asked for bonds in this amount, it desired that the Commission fix the amount of bonds it should issue in such sum as it thought proper.

The applicants presented appraisements of the various plants as follows:

Nevada, California and Oregon Telegraph and Telephone Company .....	\$63,712 27
California Northern Telephone and Telegraph Company---	66,884 91
California and Oregon Telegraph Company.....	17,726 74

In determining the amount of bonds which I believe should be authorized, I have not endeavored to fix it absolutely at the value of the property to be acquired. I have had in mind also the present earnings of these three companies, their prospective earnings after consolidation and their ability, therefore, to pay bond interest. If I were fixing the values of these utilities I should perhaps be inclined to place them at higher sums than I have determined for bond purposes. For the year 1912 these three companies reported gross earnings in the sum of \$24,442.92 and net earnings of \$4,829.29. After examining all of the elements in this case, I am of the opinion that the Commission should authorize Nevada, California and Oregon Telegraph and Telephone Company to issue bonds to acquire these properties and to

extinguish their indebtedness in a total sum not to exceed \$55,000.00. I have apportioned \$15,000.00 in bonds to the plant of the California and Oregon Telegraph Company and \$40,000.00 in bonds to the plant of the California Northern Telephone and Telegraph Company. Any additional payments that may be necessary to complete these purchases, we are assured, can be arranged between the stockholders of the companies involved.

These bonds bear 6 per cent interest and will be secured by a trust deed, covering all the properties of the three companies, from Nevada, California and Oregon Telegraph and Telephone Company to Bank of Nevada Savings and Trust Company, of Reno, Nevada. A total issue of \$300,000.00 of bonds will be authorized under this trust deed, the bonds to mature in forty years and to carry a sinking fund beginning in 1918 which will retire all of the bonds at maturity. The bonds are in denomination of \$100.00 and are redeemable at 105.

The three applicants in this case were represented by Mr. Scott Hendricks and Mr. W. E. Hills. The resolution of purchase and the proper resolutions authorizing the issue of bonds have not been passed finally at this time by Nevada, California and Oregon Telegraph and Telephone Company, but at the hearing and subsequent thereto assurance was given by Mr. Hendricks that these resolutions would be passed and duly filed. It is explained that the delays have been due largely to weather conditions which have interrupted travel. Any order which the Commission may make will necessarily be conditioned upon the filing of these resolutions and their approval by the Commission.

I recommend that the application to issue bonds as modified in the above opinion be granted, and submit the following form of order:

#### ORDER.

California and Oregon Telegraph Company and California Northern Telephone and Telegraph Company having applied to this Commission for authority to sell their plants and franchises to Nevada, California and Oregon Telegraph and Telephone Company; and Nevada, California and Oregon Telegraph and Telephone Company having applied to this Commission for authority to issue bonds to purchase the same; and a hearing having been held and it appearing to this Commission that the public interest will be served by granting said application; and it appearing further that the purposes for which said bonds are to be issued are not in whole or in part chargeable to operating expenses or to income,

*It is hereby ordered* that California and Oregon Telegraph Company be granted authority, and it is hereby granted authority, to transfer and convey to Nevada, California and Oregon Telegraph and Telephone Company all of its franchises and all of its properties as enumerated in

its Exhibit "C," filed with this Commission in connection with Application No. 837.

*It is hereby ordered* that California Northern Telephone and Telegraph Company be given authority, and it is hereby given authority, to transfer and convey to Nevada, California and Oregon Telegraph and Telephone Company all of its franchises and all of its properties as enumerated and set down in its Exhibit "D," filed with this Commission in connection with Application No. 876.

*It is further ordered* that Nevada, California and Oregon Telegraph and Telephone Company be given authority, and it is hereby given authority, to issue \$55,000.00 of its first mortgage 6 per cent 40-year bonds, dated 1914 and maturing 1954, secured by its deed of trust to Bank of Nevada Savings and Trust Company of Reno, Nevada, a copy of which has been filed with the applications herein and to which reference is hereby made; said bonds to be issued upon the following conditions and not otherwise:

1. Bonds in the sum of \$15,000.00 shall be paid to California and Oregon Telegraph Company, and so much of these bonds as may be necessary shall be used to liquidate the indebtedness of California and Oregon Telegraph Company in the sum of \$8,748.34, as enumerated in Exhibit "E" in connection with Applications Nos. 837 and 836 on file with this Commission.

2. Bonds in the sum of \$40,000.00 shall be paid California Northern Telephone and Telegraph Company and so much of these bonds as may be necessary shall be used to liquidate the indebtedness of California Northern Telephone and Telegraph Company in the sum of \$7,347.48, as enumerated in applicant's Exhibit "E," on file with this Commission in connection with Applications Nos. 837 and 836.

3. If Nevada, California and Oregon Telegraph and Telephone Company shall arrange for the payment of the floating indebtedness of California and Oregon Telegraph Company and of the floating indebtedness of California Northern Telephone and Telegraph Company, bonds may be issued to pay said indebtedness, but bonds so issued shall not be issued at less than 80 per cent of their par value.

4. The authority herein given for the transfer of their properties by California and Oregon Telegraph Company and California Northern Telephone and Telegraph Company, and the authority herein given to Nevada, California and Oregon Telegraph and Telephone Company to issue bonds is conditioned upon the approval by this Commission in a supplemental order of such resolutions by stockholders and directors of Nevada, California and Oregon Telegraph and Telephone Company as may be necessary to make the proposed transfer of property and the issue of bonds legal and binding.

5. Nevada, California and Oregon Telegraph and Telephone Company shall keep separate, true, and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the numbers of said bonds, the terms and conditions of the sale, the moneys or property realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted to issue bonds shall not become effective until the payment by applicant of the fee prescribed in section 57 of the Public Utilities Act.

7. The authority herein granted shall apply to such transfers of property and to such issues of bonds as may be made on or before July 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of February, 1914.

#### DECISION No. 1263.

IN THE MATTER OF THE APPLICATION OF LINDSAY HOME  
TELEPHONE AND TELEGRAPH COMPANY FOR AN  
ORDER AUTHORIZING IT TO BORROW FIVE THOUSAND  
DOLLARS.

Application No. 851.

*Decided February 7, 1914.*

Applicant authorized to issue its note in the sum of \$3,000.00 payable in three years with interest at 8 per cent, proceeds to be used for additions and extensions to plant.

*G. W. Zartman*, attorney, and *G. C. Harris*, president, for Applicant.

#### REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

The application herein as originally filed with the Commission, is for permission to the Lindsay Home Telephone and Telegraph Company of Lindsay, Tulare County, California, to borrow \$5,000.00 on its note, payable in five years with interest at 8 per cent per annum. The appli-

ation shows that the purposes for which this money is to be used are for making betterments and additions to the applicant's telephone system and in taking up an outstanding indebtedness of \$500.00 on a note held against the property of the applicant by The Pacific Telephone and Telegraph Company. This indebtedness was incurred prior to the effective date of the Public Utilities Act, and will fall due October 1, 1914.

The applicant has arranged, subject to Commission's approval, to borrow this amount and to repay it in monthly installments of \$100.00 each, including interest, out of the company's revenues. The note which the applicant desires to give is its corporation note, unsecured.

At the hearing of this application, witness for the applicant testified that it is desired to set aside \$2,000.00 out of the amount which it desires to borrow to be used from time to time as needed for installing telephones for new patrons, only a portion of which amount will be needed for immediate use. The balance of such amount it is estimated will be used up within two years from date of securing the loan.

It is my opinion that the applicant would not be justified in paying interest out of revenues on loans not necessary for immediate use and that it should defer borrowing money for such purposes until the exigencies of the business require it, and the applicant was so informed at the hearing. A stipulation was accordingly entered agreeing that the application be amended to ask that permission be granted to borrow \$3,000.00 for present needs. The applicant has, since the original application was filed, advised the Commission that it desires to obtain this loan on its corporation note, unsecured, payable in three years with interest at 8 per cent per annum. As additional sums become necessary further formal applications shall be filed with the Commission. This application will be considered as herein amended and the order herein recommended will apply only to the amended application.

A statement of the amounts necessary to be expended for additions and betterments has been submitted to the Commission showing that within a period of six months from the date of obtaining this loan the money thus secured will be used as follows:

1. For additional cables.....	\$1,500 00
2. For reconstructing present leads and for building new leads..	250 00
3. For connecting additional subscribers.....	750 00
4. For additions to present switchboard.....	500 00
<b>Total .....</b>	<b>\$3,000 00</b>

The amounts of money included in these items are inclusive of the cost of labor, material, apparatus and such other costs as are incidental thereto. The location and capacity of cables included in this statement are shown in a chart which is attached to and made a part of the application.

The applicant testified at the hearing that an actual inventory and appraisal of the physical property of this company has not been made since the present owners acquired possession of the system. Only estimated valuations, therefore, are available at this time and while the Commission is not called upon to approve these valuations, the figures which were submitted have been examined and appear to be sufficient for the purposes of this proceeding.

The net revenues of the company remaining after deducting expenses of operation, as shown in the application, are \$347.50 per month. It appears, also, that practically the only present indebtedness of this company is the note for \$500.00 held by The Pacific Telephone and Telegraph Company which has been previously referred to in this opinion.

Witnesses for the applicant stated that the present facilities are all in use, and that there are further demands for telephone service which can not be met until additions and betterments to the plant can be made. In view of this condition, and in view, also, of the apparently sound financial condition of this company, and no reasonable objection appearing, it is the opinion of the Commission that the public necessity and convenience will be subserved by the granting of this application, and I shall recommend the following form of order:

**ORDER.**

Application having been made to this Commission by Lindsay Home Telephone and Telegraph Company operating a telephone system as a public utility in Lindsay, Tulare County, California, and contiguous territory, for an order permitting it to borrow \$3,000.00 on its unsecured corporation note, payable in three years with interest at 8 per cent per annum for the purposes of making additions and betterments to its telephone system, and a public hearing having been held thereon and it appearing to this Commission that the purposes for which the Lindsay Home Telephone and Telegraph Company desires to borrow the said \$3,000.00 are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the Lindsay Home Telephone and Telegraph Company be and it hereby is granted authority to borrow \$3,000.00 on its corporation note, unsecured, payable in three years with interest at 8 per cent per annum upon the following conditions and not otherwise, to wit:

*First*—The Lindsay Home Telephone and Telegraph Company shall execute its note in the sum herein authorized to be borrowed for a term of three years, which said sum shall be repaid in monthly installments of not less than \$100.00 each, principal and interest both inclusive, out of the revenues of the said Lindsay Home Telephone and Telegraph Company.

*Second*—The sum of \$3,000.00 herein authorized to be borrowed by the Lindsay Home Telephone and Telegraph Company shall be used in making additions and betterments in its plant as follows:

(1) For additional aerial cables.....	\$1,500 00
(2) For reconstructing present leads and for building new leads .....	250 00
(3) For connecting additional subscribers.....	750 00
(4) For additions to present switchboard.....	500 00
<b>Total</b> .....	<b>\$3,000 00</b>

*Third*—The Lindsay Home Telephone and Telegraph Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the funds derived from the amount herein authorized to be borrowed, and on or before the twenty-fifth day of each month shall make a verified report to the Commission of the amounts herein authorized to be borrowed; the terms and conditions under which the said sums are obtained and the disposition of same all in accordance with this Commission's General Order No. 24 which, in so far as applicable, is made a part of this order.

*Fourth*—This order shall apply only to funds obtained within six months from the date of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of February, 1914.

#### DECISION No. 1264.

#### IN THE MATTER OF THE APPLICATION OF SAN DIEGO AND ARIZONA RAILWAY COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 808.

*Decided February 9, 1914.*

Applicant petitions the Commission's authorization for an issue of bonds of the face value of \$15,000,000.00, proceeds to be used partly to discharge indebtedness now outstanding amounting to \$3,007,908.55 and the balance to complete construction of its railroad between San Diego and Seeley.

*Held*, Applicant authorized to issue bonds of the face value of \$10,000,000.00 and its capital stock of the par value of \$3,000,000.00 for the purposes applied for. Bonds to be sold at not less than 80, and only after the Commission has approved applicant's plan for selling its stock herein authorized at par.

*Harry L. Titus, R. G. Dilworth, and W. I. Brobeck, for Applicant:*

12—10192



## REPORT OF THE COMMISSION.

EDGERTON and LOVELAND, *Commissioners*.

This is an application by San Diego and Arizona Railway Company for an order authorizing the issue of \$15,000,000.00 face value of bonds, and for an order authorizing said company to execute a mortgage or trust deed upon all of its property to secure the payment of said bonds.

The purposes for which the bond money is proposed to be used are to pay off and discharge indebtedness amounting to \$3,007,908.55, and with the remainder to finish the construction of its railroad.

Applicant was incorporated on June 14, 1906, by John D. Spreckels and A. B. Spreckels for the purpose of building a standard gauge steam railroad from San Diego eastward, passing through the northern part of Lower California, Mexico, and extending eastward to Yuma, Arizona, a distance of 200 miles. Later the plans were changed, making Seeley, Imperial County, the eastern terminus.

The line as now projected will extend from San Diego to Seeley, Imperial County, where it will connect with the Southern Pacific branch line from El Centro. The length of this railway will be 139.39 miles. Of this 44.29 miles will be located in Lower California, Mexico, and 95.10 miles will be located in California.

Portions of this line have been completed, as follows:

From San Diego to Tia Juana, on the Mexican border-----	15 miles
From Seeley west-----	10 miles
<hr/>	
Total constructed in California-----	25 miles
Constructed in Mexico from Tia Juana eastward, approximately_	40 miles
<hr/>	
Total constructed, approximately-----	65 miles
Still to be constructed, approximately-----	75 miles
To be constructed in Mexico-----	5 miles
To be constructed in California-----	70 miles

The portion of the road already built is of standard gauge and of first class construction. The grades have been skilfully conceived, and the engineering has been of a high type. The materials used have been of good quality and nowhere is there any evidence of skimping in the construction. In brief, the type of road being built is, in our judgment, of the best, and it is proposed to use this same type of construction in building the remainder of the railroad.

There is submitted an estimate of the cost of the railroad in the sum of \$13,846,956.37. The company adds for bond interest during construction \$67,000.00, making the total \$14,713,956.37. The engineers of the company testified that by substituting lighter rails on side tracks and by using less yardage for the present, and by making other changes,

this estimate could be reduced approximately \$1,000,000.00, leaving a balance, as the revised estimate, of \$13,713,956.37.

This includes block signals and everything necessary to complete the line, but makes no provision for equipment. The representatives of the company stated that the road would be operated either by lease to another company, or equipment would be purchased through the equipment trust certificate plan.

The company has an authorized stock issue of 60,000 shares of the par value of \$100.00 per share, or a total of \$6,000,000.00 par value. It has issued 20,000 shares of a total par value of \$2,000,000.00, and has received therefor \$2,000,000.00. It has also borrowed approximately \$3,000,000.00, as set forth in Exhibit "D," attached to the application. This indebtedness is represented chiefly by notes payable to the Bank of Commerce and Trust Company of San Diego, Union Trust Company of San Francisco, and the Wells Fargo Nevada National Bank of San Francisco.

The \$2,000,000.00 realized from stock and \$3,000,000.00 borrowed has been invested in the construction of the road. We, therefore, have the following condition:

Estimated cost of road.....	\$13,713,956 37
Money already invested.....	5,000,000 00
Cost of balance.....	<u>\$8,713,956 37</u>

Authority is now asked to issue \$15,000,000.00 of general first lien 5 per cent 40-year gold bonds, under a proposed deed of trust to Union Trust Company of San Francisco and to sell these bonds at not less than 80 per cent of face value. If sold at 80 the net proceeds would be \$12,000,000.00, and with this the company proposes to pay off the floating indebtedness of \$3,000,000.00, and to use the remaining \$9,000,000.00 to complete the road.

The ownership of this railroad is in doubt. J. D. and A. B. Spreckels assert that although the stock stands in their names, the \$2,000,000.00 with which it was purchased was supplied by the Southern Pacific Company upon the understanding that the Southern Pacific Company would later take over the road. The Southern Pacific Company claims that it had the privilege of selling this stock to J. D. and A. B. Spreckels. It appears that the Southern Pacific tendered the stock to Messrs. Spreckels and they refused to take it. Suit was thereupon brought by the Southern Pacific to recover the money theretofore advanced by it, which suit is being contested by the Spreckels, and it is expected that

the decision in this suit, which is before the federal court, will determine the question of ownership.

A stipulation has been entered into, under which the bonds may be issued, without committing either the Spreckels or the Southern Pacific to the ownership of the road.

Applicant plans to organize a separate corporation under the laws of Mexico to hold that part of its property which is and will be located in Mexico, which will consist of 44.29 miles of road with appurtenances. The company's estimate of the cost of this portion of its road already constructed in Mexico is \$2,319,104.60, and that it would require to complete the line in Mexico \$1,139,444.57 or a total of \$3,458,549.17 for the Mexican properties.

It is proposed to have the Mexican corporation take over its portion of the property, and to issue the stock of the Mexican corporation to applicant. Thereupon applicant will place this stock with the trustee named in the trust deed, to be held as security for the bonds.

The portion of the road in Mexico is being built under a 99-year concession held in the name of John D. Spreckels.

There is a widespread demand on the part of the citizens of San Diego and Imperial Valley that this road be built. Seldom has this Commission been urged from so many different quarters to grant an application.

Particularly on the part of the citizens of San Diego it has been believed for years that the building of this road, furnishing as it will, an outlet to the east from San Diego, will greatly enhance the prosperity of that community. It is now necessary, to reach the east by rail, to travel first to Los Angeles.

The people of San Diego have long felt that by reason of the location of their city upon an excellent harbor, and because of the proximity of the rich and rapidly growing Imperial Valley, direct rail connection to the eastern part of this country is essential to their full economic development.

We concur in the view that this community is of sufficient commercial and traffic importance to warrant the construction of a railroad as is now proposed.

There was introduced in evidence at the hearing estimates of the traffic which would be offered this road, not only from and to San Diego and Imperial Valley points, but from and to points intermediate. These estimates, if correct, would result in such huge earnings for this road that we hesitate to accept them as conservative. Of course, an estimate of this kind made prior to the construction of a railroad is only an estimate, and must receive consideration as such. In this case,

it is so difficult to determine in advance what the resulting development of the country will be when traversed by a railroad, that we think it unwise for us to speculate in an attempt to fix a probable amount of traffic which will be furnished.

We believe that in this application we must confine ourselves to a conclusion whether, considering the value of the property, the issuance of securities asked for is proper, and if not, what is the proper amount of securities to be issued, and next, is the road one for which there is a real need, and which has a probable chance for success.

We have shown above that there is real need of this road, but we do not feel warranted at this time in permitting the issuance of all of the bonds asked for. We do feel, however, that with a somewhat less amount of bonds issued and additional money invested by way of purchase of stock, the capitalization of the road would be upon a more reasonable basis. Applicant has estimated its property to be worth at least \$6,500,000.00; deducting \$3,000,000.00 of indebtedness leaves property of the value of \$3,500,000.00, which will be under the lien of the bonds.

Therefore, if there be issued \$3,000,000.00 of stock at par the proceeds from which are to be used to pay off the floating indebtedness of \$3,000,000.00 and \$10,000,000.00 of bonds be issued and sold at not less than 80 per cent of face, we will have property which will have cost \$13,000,000.00, and upon which applicant places a value of at least \$14,500,000.00, as security for the payment of bonds of the face value of \$10,000,000.00. This, we think, is a basis upon which applicant could and should finance the building of this road.

We are convinced that the Messrs. Spreckels have made this application with no purpose of indulging in high finance, but that they have been actuated by a desire to have this road built. However, the evils of overcapitalization, particularly the overissue of bonds, have proven so severe in the past, that the people have delegated to this Commission authority to supervise the capitalization of public utilities. Clearly, the purpose of vesting this power in the Commission was to prevent the evil conditions of the past, and for us now to permit the issuance of a greater amount of bonds than we believe should be issued, is for this Commission to nullify the wishes of the people and to disregard the experiences of the past. In recommending, as we have, the above proposed issuance of stocks and bonds, we do so with the belief that upon this basis this road can be financed.

As is customary, we are authorizing the execution of a trust deed providing for \$15,000,000.00 of bonds, whereas we are only at this time authorizing the issuance of \$10,000,000.00 of bonds. The \$5,000,000.00

of bonds not at this time authorized by the Commission will, of course, remain in the treasury of the company, to be used for any proper future needs, and can not be issued without the further authorization of this Commission.

We recommend, therefore, that applicant be authorized to issue \$10,000,000.00 face value of its bonds, to be sold at not less than 80 per cent of face value, and that it be authorized to mortgage or encumber its property for the purpose of securing an issue of \$15,000,000.00 of bonds, provided that before issuing any of such bonds applicant shall have furnished to this Commission satisfactory evidence that it has sold at par \$3,000,000.00 par value of its common capital stock, this order to authorize such issue of stock, the proceeds of the sale of said stock to be used to pay off the present indebtedness of applicant, and provided, also, if applicant proposes to build this road, or any considerable part thereof, by contract rather than on force account, that any such contract be submitted to this Commission for its approval before its execution.

We submit herewith the following form of order:

**ORDER.**

Application having been made by San Diego and Arizona Railway Company for an order authorizing the issuance of \$15,000,000.00 of bonds, and authorizing the execution by it of a mortgage or trust deed to secure the payment of said bonds, and a public hearing having been held, and it appearing to the Commission that the purposes for which the proceeds of the sale of said bonds and the stock herein authorized to be issued are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that said application should be granted in part and under certain conditions.

*It is hereby ordered* that the Railroad Commission of the State of California does hereby authorize the issue by San Diego and Arizona Railway Company of \$10,000,000.00 face value of its general first lien 5 per cent sinking fund 40-year gold bonds, under a proposed deed of trust to Union Trust Company of San Francisco, which provides for the issuance of \$15,000,000.00 of bonds, a copy of which is annexed to the application herein, and applicant is hereby further authorized to execute said trust deed, and applicant is further authorized to issue \$3,000,000.00 par value of its capital stock.

Said bonds and said stock to be issued under the following conditions, and not otherwise:

1. The bonds herein authorized shall be sold to net applicant not less than 80 per cent of their face value, and accrued interest at the date of their delivery to the purchasers.

2. None of the above bonds shall be issued until applicant shall have obtained the approval of the Commission of a plan for the sale at par of \$3,000,000.00 of its capital stock.

3. Before any of the bonds or stocks herein authorized shall be issued, there shall be submitted for the approval of the Commission a complete plan for the organization of the Mexican corporation, which is to hold that part of applicant's railroad project which is and will be built in Mexico, and the placing of the assets of said corporation under the lien of the bonds herein authorized.

4. Before executing any contract for the construction of this road, or any part thereof, calling for an expenditure of \$10,000.00 or more, applicant shall first obtain the approval of this Commission thereto.

The purposes for which the bonds and the stock herein authorized to be issued are to be used, are as follows:

The payment of the indebtedness of applicant represented by promissory notes in the aggregate sum of \$3,007,908.55, said notes being described in Exhibit "D," on file with the application herein.

To build and construct the railroad and appurtenances from the city of San Diego through the northerly portion of Lower California, Mexico, into the Imperial Valley to Seeley, all as more particularly described in the maps on file herein and the inventory attached to the application herein.

Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds and stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such bonds and stock during the preceding month, the terms and conditions of such sale or other disposition, the numbers of the bonds disposed of, the moneys realized from the disposal of said stocks and bonds, and the use and application of such moneys.

The authority hereby given to issue such bonds and stock shall apply only to bonds and stock issued by said company on or before the first day of February, 1915.

This order shall not be effective until applicant shall have first paid the fee prescribed by section 57 of the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of February, 1914.

## DECISION No. 1265.

J. A. ANDREW FRANSCIONI ET AL.

vs.

SOLEDAD LAND AND WATER COMPANY.

Case No. 361.

*Decided February 9, 1911.*

Complaint alleging unjust and discriminating rates, rules and service of defendant; *held*, that defendant shall cease all discrimination between its stockholders and outside consumers; shall properly maintain and operate the ditches and lateral used in the distribution of water from its pumping plant; shall put into effect, within thirty days, a yearly rate of \$2.25 per acre, payable in advance, with an additional rate of 25 cents per acre inch for amounts delivered.

*Zabala & Bardin*, for Complainants.*E. P. Feliz*, for Defendant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is a complaint by J. A. Andrew Francioni, L. N. McKinsey, Alice McKinsey, John Ober, S. J. Kitzmiller, F. A. Greateon, P. Papina, and Margaret J. Whisman, complaining against the rates, service and rules of the Soledad Land and Water Company.

This case presents for consideration the following matters:

1. Is defendant a public utility?
2. If it is a public utility, can it give preference in rates or service, or in any other respect to its stockholders who are consumers, over other consumers?
3. Is its rule reasonable which requires that water be taken by the consumer at the pumping plant, or should defendant be compelled to operate ditches and laterals and deliver water through them to the land of the consumer?
4. What is a reasonable rate for water to be charged consumers by defendant?

Taking up first the question of whether or not defendant is a public utility, we are confronted with the contention by complainants that it is a public utility, which is vigorously denied by defendant.

Exhaustive briefs have been filed, largely dealing with this question, and the arguments in these briefs are based almost wholly upon considerations of appropriations of water and whether the public is being served with this water, etc., each side presenting to sustain its contention a considerable number of authorities.

The original articles of incorporation of defendant provided, among the purposes, the following:

“To buy, sell and hold land. Construct, own and operate pumping plants and locate and own water rights. Buy and sell water rights, and supply water and sell the same for irrigation. And to do all things necessary to carry on the foregoing business.”

In 1910 amended articles of incorporation were adopted and filed, wherein the purposes of the corporation are stated, as follows:

“That the purposes for which it is formed are to acquire water and water rights and to supply water for beneficial purposes as a private corporation and not as a public water company for private use and not for public use to those who will receive and take water at the pumping plant of this corporation, upon such terms and conditions as this corporation may by its by-laws and rules prescribe, with preference right of its stockholders to water, reference being had to the available supply and to acquire, own and hold such property, real and personal, water and water supply rights, pumping plants and machinery and to transact such business as may be necessary or proper for such purposes.”

It is contended by defendant that under the amendment above noted its articles of incorporation now clearly take this company out from the public utility class and limits the rights of consumers. It is urged that if this company is compelled to deliver water as a public utility that this must be done in violation of its articles of incorporation, and that such procedure could be enjoined by any stockholder.

In other words, we are asked to hold that notwithstanding the definitions and declarations as to what constitutes a public utility, set out in the constitution of this State and the Public Utilities Act, that a company may, by its articles of incorporation, seriously limit the effect of these enactments.

I think the whole discussion as to the status of this company may be cut short by a reference to the clear and specific definition of what constitutes a public utility set out in the Public Utilities Act.

“SEC. 2. (bb) The term ‘public utility’ when used in this act, includes every common carrier, pipe line corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, wharfinger and warehouseman, where the service is performed for or the commodity delivered to the public or any portion thereof. The term ‘public or any portion thereof’ as used herein means the public generally, or any limited portion of the public, including a person, private corporation, municipality or other political subdivision of the state, for which the service is performed or to which the commodity is delivered, and whenever any common carrier, pipe line corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, wharfinger or warehouseman performs a service or delivers a commodity to the public or any portion



thereof for which any compensation or payment whatsoever is received, such common carrier, pipe line corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, wharfinger or warehouseman is hereby declared to be a public utility subject to the jurisdiction, control and regulation of the commission and the provisions of this act. Furthermore, when any person or corporation performs any service or delivers any commodity to any person or persons, private corporation or corporations, municipality or other political subdivision of the state, which in turn either directly or indirectly, mediately or immediately, performs such service or delivers such commodity to or for the public or some portion thereof, such person or persons, private corporation or corporations and each thereof is hereby declared to be a public utility and to be subject to the jurisdiction, control and regulation of the commission and to the provisions of this act."

"(x). The term 'water corporation' when used in this act, includes every corporation or person, their lessees, trustees, receivers or trustees appointed by any court whatsoever, owning, controlling, operating or managing any water system for compensation within this state."

Regardless, then, of what may have been held by the courts prior to the amendment of the constitution in 1911 and the subsequent passage of the Public Utilities Act as to what constitutes a public use in water, this Commission, in my judgment, can now only look to the definitions and declarations set out in the Public Utilities Act, and the constitution, in determining whether or not any given person or corporation is a public utility.

By the above test, defendant is clearly a public utility, as by its own admissions it has and does now serve other than its stockholders with water for compensation.

The contention that a stockholder could enjoin the service of water by defendant in conflict with its articles of incorporation, notwithstanding it may be held to be a public utility, in my opinion is not well founded.

It must be remembered that corporations are the creatures of the State, and that the right to incorporate is a privilege extended by enactment of the legislature under the provisions of the constitution. It has been held by our Supreme Court in the case of *The Pacific Telephone and Telegraph Company vs. The Members of the Railroad Commission*, recently decided, that the legislature is unrestrained by the constitution in granting power to the Railroad Commission over public utilities. It is clear, therefore, that the granting of power by the legislature to the Railroad Commission of control over the property of public utilities is an act paramount to that granting the privilege of incorporating a corporation. Therefore, it follows that regardless of the provisions of

articles of incorporation, where corporations are found engaged in public utility businesses; they are public utilities and are subject to all of the provisions of the Public Utilities Act.

2. "If it is a public utility, can it give preference in rates or service, or in any other respect, to its stockholders who are consumers, over other consumers?"

One of the duties of a public utility is to furnish service without undue discrimination as between consumers. To extend to stockholders of a public utility corporation a privilege not extended to other consumers would clearly be undue discrimination. The fact that a consumer may be a stockholder in no wise changes his status as a consumer. As a stockholder he is entitled to a share in the profits of the corporation and to certain privileges, such as voting, etc., but as a consumer he is on a parity with the consumer who is not a stockholder.

3. Is defendant's rule reasonable which requires that water be taken by the consumer at the pumping plant, or should defendant be compelled to operate ditches and laterals and deliver water through them to the land of the consumer?

The evidence shows that prior to the adoption of the amendment to its articles of incorporation, in 1910, as above set out, defendant operated the ditches and laterals connected with its system and delivered water through these ditches and laterals to the land of consumers, but that subsequent to the adoption of the above mentioned amendment this practice was discontinued and ever since defendant has compelled consumers to take water at the plant. This, of course, compels the consumers to maintain and operate the ditches and laterals.

Experience has shown that it is to the interest of both the consumer and the company that the operation and maintenance of all the distributaries to the point of delivery of water to individual consumers should be conducted by the company.

Where the company controls and operates the ditches and laterals under uniform rules, fair and equitable distribution of the water is possible, and the system can be maintained in good order and repair. On the other hand, where consumers are compelled to care for the ditches and laterals serious evils result. Where several consumers are located on a lateral and they do not require water at the same time, a man who first needs water is compelled to clear and clean the lateral or ditch from the plant to his land at his own expense. Thereafter, the other consumers on this ditch or lateral can, with slight expense to themselves, take advantage of their neighbor's expenditure. Controversy will also arise over distribution of the water. All these difficulties can be obviated only by organization of the consumers, which is difficult and often found comparatively expensive and unsatisfactory in operation.

Therefore, defendant should control and operate all of the ditches and laterals belonging to its system if it is possible to do so. That it is possible clearly appears from the evidence. It was shown at the hearing that defendant did operate these ditches and laterals at one time, and that it ceased such operation of its own volition. It is probable that defendant has the legal right under rights of way, etc., to operate and control all of the ditches and laterals constituting this water system, and in any event, as far as the evidence shows, defendant may at any time take charge of, control and operate all existing ditches and laterals belonging to this water system, this being the unanimous desire of all consumers other than stockholders.

4. What is a reasonable rate for water to be charged consumers by defendant?

A careful valuation of the plant of defendant has been made by the engineers of this Commission. This valuation includes the ditches and laterals.

Defendant owns water-bearing land upon which it was the intention to sink wells, but inadvertently some of the wells now in use were sunk upon adjoining land, the title to which does not rest in defendant. Therefore, in arriving at the value of the property used and useful in this system it was determined to place a value upon the water-bearing land owned by defendant and exclude the value of the land upon which the wells were actually sunk. This, of course, brings about the same result as though a value were placed upon the land on which the wells were actually sunk, but which do not belong to defendant. The valuations found by the engineers of the Commission are as follows:

Reproduction cost .....	\$17,906 00
Annual depreciation .....	683 00
Total depreciation .....	4,492 00
Present value .....	13,414 00

*Estimated fixed annual charges.*

Six per cent on present value .....	\$805 00
Taxes, $\frac{1}{4}$ per cent on present value .....	33 00
Depreciation .....	683 00
Maintenance of canals .....	150 00
Secretary's salary .....	120 00
Total .....	\$1,791 00

The acreage originally intended to be irrigated by this system was 1,700 acres, but this is now reduced to a total of 800 acres, made up of 440 acres owned by stockholders of the defendant, 260 acres owned by complainants, and 100 acres occasionally demanding water and considered a probable source of income. There is ample water supply for the irrigation of the entire 800 acres. The fixed charge per acre for the system is \$2.25.

The use of water from this irrigation system, as shown by the evidence, averages two irrigations per year, and the plant can irrigate one acre per hour. Assuming 800 acres demanding water and a 20-hour run per day, there would be time for four full irrigations in a season of 160 days. It is estimated that an average irrigation uses sufficient water to cover the land six inches deep.

The estimated operating cost per hour is:

Fuel, two thirds of a barrel of oil.....	\$0 66
Lubricating oil .....	06
Labor and superintendence.....	60
Boiler compound .....	03
Repairs and incidentals.....	10
Total .....	\$1 45

The necessary charges per acre per year would be:

*For one irrigation per year:*

Fixed charges .....	\$2 24
Operating cost, one hour .....	1 45

Total cost, $\frac{1}{2}$ acre foot.....	\$3 69
--	--------

Cost per acre inch.....	615
-------------------------	-----

*For two irrigations per year:*

Fixed charges .....	\$2 24
Operating cost, two hours.....	2 90

Total cost, 1 acre foot.....	\$5 14
------------------------------	--------

Cost per acre inch.....	428
-------------------------	-----

*For three irrigations per year.....* \$6 59

Cost per acre inch.....	306
-------------------------	-----

*For four irrigations per year.....* \$8 04

Cost per acre inch.....	335
-------------------------	-----

In order to safeguard the company against the failure or refusal of established consumers upon which it is dependent to use water except as the exigencies of the season may require, the company should be permitted to adopt a rule compelling the payment of the minimum a reasonable time in advance of the beginning of the season of use.

When the former consumers fail to make payment the company will have opportunity to seek other market for its service with consumers who are willing to pay the minimum and insure availability of a supply of water.

I submit herewith the following form of order:

#### ORDER.

Complaint having been made by J. A. Andrew Francioni et al. against the service, rules and regulations, and rates of the Soledad Land and Water Company, and a public hearing having been had thereon, evidence having been introduced at said hearing on behalf of complainants and defendant, and the Commission being fully advised

in the premises, it is hereby found as a fact that the Soledad Land and Water Company is a public utility water corporation delivering water for compensation to the public, or a portion thereof, and subject to the jurisdiction, control and regulation of the Railroad Commission of the State of California, and subject to the provisions of the Public Utilities Act; and it is hereby further found as a fact that said company is giving preference to those of its consumers who are owners of its stock as against consumers who are not such owners of stock, and that such preference is undue discrimination and it is unjust and unreasonable; and it is hereby further found as a fact that said company now charges a rate of \$2.00 per hour for output of plant, delivered at the plant, and that such rate is not a just and reasonable rate for the service hereinafter ordered to be given by said company to its consumers; and it is hereby further found as a fact that a just rule and regulation and practice is that said company deliver water to all of its consumers of a like quantity and quality of service and for a like rate, whether said consumers be stockholders of said company or not; and it is hereby further found as a fact that it is just and reasonable that said company operate and maintain all the ditches and laterals leading to the lands of its consumers, and that said company deliver water through said ditches and laterals to the lands of its consumers; and it is hereby further found as a fact that the just and reasonable rates for the delivery of water by said company to the lands of its consumers are:

Per acre per annum payable in advance.....	\$2 25
Per acre inch of water delivered.....	25

Basing its order upon the foregoing findings of fact and the further findings of fact contained in the opinion preceding this order,

*It is hereby ordered* by the Railroad Commission of the State of California that Soledad Land and Water Company operate and control all of the ditches and laterals leading to the lands of its consumers and keep such ditches and laterals in repair at its own expense, and within a period of thirty days from the date of this order said company shall file with this Commission rules and regulations containing provision for the delivery of water to the land of consumers, and containing provision that a minimum rate of \$2.25 per acre per year be charged for the use of water and that said minimum shall be payable a reasonable time in advance of the use of said water, and in addition 25 cents per acre inch be charged for amounts delivered.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of February, 1914.

## DECISION No. 1266.

IN THE MATTER OF THE APPLICATION OF SOUTHERN  
PACIFIC COMPANY FOR AUTHORITY TO ISSUE FIFTY-  
FIVE MILLION DOLLARS FIVE PER CENT BONDS.

---

Application No. 982.*Decided February 9, 1911.*

---

Application of the Southern Pacific Company to issue five per cent twenty-year bonds of the face value of \$55,000,000.00, and to offer same to stockholders with the right to convert same into the common stock of applicant, within ten years, at par, and to devote the proceeds of said bonds partly to refund outstanding notes in the sum of \$26,000,000.00 and the balance to be used for additions and extensions to present system, granted.

*Guy V. Shoup*, for Applicant.

## REPORT OF THE COMMISSION.

EDGERTON and LOVELAND, *Commissioners*.

This is an application for an order authorizing the issue by Southern Pacific Company of \$55,000,000.00 five per cent twenty-year bonds.

Applicant's financial condition is reviewed and set out in the order made in Application No. 585, wherein applicant was authorized by this Commission to issue \$30,000,000.00 of gold notes.

It is proposed now to issue \$55,000,000.00 of bonds and offer the same to the stockholders of applicant at par and accrued interest, the owners of these bonds to have the right to convert bonds into stock of applicant within ten years at par, applicant to have the right of redeeming these bonds at any time after five years at 105 per cent and accrued interest.

Applicant proposes to enter into a contract with a responsible bank or syndicate for the purchase of all of said bonds at par, or so much thereof as the stockholders fail to take, the bank or syndicate to be paid for this underwriting 3 per cent upon the aggregate par value of the total issue, 1 per cent of which shall be paid to the bankers, and 2 per cent to the syndicate which said bankers form to execute the underwriting contract.

The railroads owned and operated by applicant are located in five states, and the proceeds from the sale of the bonds herein asked to be authorized are to be used in additions and betterments to various parts of this railroad system and for the purchase of additional equipment, as more specifically set out in the order herein.

It is impossible for this Commission, acting within the jurisdiction of one state, to investigate or supervise completely, the issuance of securities by a corporation such as applicant operating through and between five separate states of the Union where the lien of the securities extends over all of its property and the expenditures are to be scattered over its entire system. The best that can be done is to conclude generally whether the proposed bonds are reasonable in amount, reasonably secure as to payment of principal and interest, and that the proceeds are to be used for proper purposes.

We think it is evident from an examination of the accounts and other data of applicant on file with this Commission, that the Southern Pacific Company will be able to meet the principal and interest of these bonds, and that the amount thereof is not unreasonable in comparison to the property and business of the company.

It is proposed that a portion of the proceeds from the sale of this bond issue to pay off indebtedness of \$26,000,000.00, represented by notes of the company due June 15, 1914, and a loan due May 29, 1914, of \$4,500,000.00. This indebtedness was incurred for the following purposes:

1. Advances to Pacific System proprietary companies for:

(a) Construction work.

Fernley to Lassen-----	\$3,164,000 00
Oregon Eastern-----	153,000 00
Willamette Pacific-----	3,502,000 00
Colusa and Hamilton-----	434,000 00
Hanford and Summit Lake-----	114,000 00
Tucson and Nogales-----	25,000 00
Salem to Durbin-----	7,000 00
Sacramento Southern-----	11,000 00
Miscellaneous surveys-----	66,000 00
	<hr/>
	\$7,476,000 00

(b) For additions and betterments, as follows:

Double track work-----	\$3,056,000 00
Increased weight of rail-----	84,500 00
New depot and tracks, Los Angeles-----	83,300 00
Goeber new terminal yards-----	97,300 00
Installation signals, Tracy to Mendota-----	71,200 00
Miscellaneous A and B work-----	1,713,000 00
	<hr/>
	5,105,300 00
	<hr/>
	\$12,581,300 00

<i>Brought forward</i> .....	\$12,581,300 00
2. Additions and betterments:	
Electric lines—Oakland, Alameda, and Berkeley.....	681,000 00
3. Purchase of real estate.....	250,000 00
4. Advances to Atlantic steamship lines.....	645,000 00
5. Purchase of equipment.....	3,535,000 00
6. Advances for purchase of bonds.....	3,153,500 00
7. Advances to following companies:	
Salem-Falls City and Western.....	\$194,000 00
Pacific Railway and Navigation Company.....	131,000 00
Coos Bay, Roseburg and Eastern.....	17,000 00
Corvallis and Eastern.....	58,000 00
Pacific Fruit Express.....	1,359,000 00
Portland, Eugene and Eastern.....	2,834,000 00
Arizona Eastern .....	391,000 00
	<hr/>
	4,984,000 00
8. Advances to Sunset Central lines:	
Louisiana and Texas.....	6,301,000 00
	<hr/>
Total .....	\$32,130,800 00

We therefore recommend that the application be granted, and submit herewith the following form of order:

#### ORDER.

Application having been made by Southern Pacific Company for an order authorizing the issue of \$55,000,000.00 five per cent twenty-year bonds, and a public hearing having been held, and it appearing to the Commission that the money to be secured by the issue of said bonds is necessary and reasonably required by said company for the construction and purchase of additions and betterments to its railroad property and the acquisition of equipment for the operation thereof, and the payment of its obligations, and that the purposes for which the proceeds of the sale of said bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the Railroad Commission of the State of California does hereby authorize the issue by Southern Pacific Company of \$55,000,000.00 face value of 5 per cent twenty-year bonds, said bonds to be convertible by the owners thereof within a period of ten years from and after the issuance of said bonds into common capital stock of applicant at par.

Said bonds to be issued upon the following conditions, not otherwise:

1. Southern Pacific Company may sell the bonds hereby authorized to its stockholders at not less than par.

2. Southern Pacific Company may enter into an agreement with responsible parties, whereby said parties shall agree to purchase at par all of the bonds hereby authorized, or so much thereof as may not be purchased by stockholders. And Southern Pacific Company may pay such parties entering into such agreement a sum not to exceed 3 per cent of the face value of the bonds hereby authorized.



3. The proceeds from the sale of the bonds hereby authorized shall be used for the following purposes:

1. Expenses of underwriting.....	\$1,650,000 00	
2. Equipment notes maturing next two years.....	2,426,000 00	
3. Advances to be made to proprietary companies covering balances necessary:		
(a) Complete following construction work now under way, Fernley and Lassen Railway.....	\$2,065,840 00	
Colusa and Hamilton Railroad.....	643,854 00	
Mojave and Bakersfield Railway.....	13,995 00	
Willamette Pacific Railroad.....	2,989,075 00	
Sundry small items allocating to Hanford and Summit Lake Railroad, Pacific Railway and Navigation Company, and three other branch lines.....	25,515 00	
Oakland, Alameda and Berkeley electrification .....	914,887 00	
Willamette Valley electric lines.....	1,425,478 00	
Sunset lines construction.....	709,366 00	
Atlantic steamship lines.....	41,049 00	8,829,059 00
(b) To complete A and B:		
Sunset lines .....	\$1,512,676 00	
Pacific System right of way.....	4,846 00	
Widening cuts and fills and filling bridges, trestles and culverts.....	58,689 00	
Protection of banks and drainage.....	33,817 00	
Tunnel improvements .....	48,927 00	
Bridges, trestles and culverts.....	241,369 00	
Improvements of grade crossings.....	135,630 00	
Increased weight of rails, frogs, switches and track fastenings .....	595,337 00	
Ballast .....	172,860 00	
Grade reductions and changes of line.....	10,915 00	
Additional main tracks.....	1,222,561 00	
Sidings and spur tracks.....	361,851 00	
Fencing right of way.....	7,072 00	
Snow and sand fences and snowsheds.....	3,360 00	
Roadway, machinery and tools.....	1,490 00	
Section houses and other maintenance of way service, buildings and improvements.....	1,315 00	
Shop buildings, grounds and other motive power service improvements.....	272,856 00	
Shop machinery and tools.....	122,329 00	
Electric light and power plants.....	13,803 00	
Station buildings, grounds and other transportation service improvements.....	1,019,780 00	
Dock and wharf property.....	56,721 00	
Fuel and water stations.....	191,200 00	
Gas producing plants.....	4,340 00	
Telegraph and telephone lines.....	1,700 00	
Interlocking, block and other signal apparatus .....	157,250 00	
Real estate .....	79,479 00	
Other improvements, general service.....	36,776 00	
Additions and improvements to existing equipment .....	251,572 00	
Electrification of lines.....	56,272 00	
Other floating equipment.....	615,854 00	7,298,647 00
Total .....		\$20,203,706 00

<i>Brought forward</i> .....		\$20,203,706 00
4. For additions and betterments for Sunset lines_	\$5,346,789 00	
5. For as many of the following additions and betterments as should be made in the next two years, contingent on money available:		
Right of way.....	\$312,800 00	
Protection of banks and drainage.....	5,600 00	
Tunnel improvements .....	13,930 00	
Bridges, trestles and culverts.....	125,450 00	
Increased weight of rail frogs, switches and track fastenings .....	150,810 00	
Ballast .....	55,055 00	
Grade reductions and changes of line.....	257,450 00	
Siding and spur tracks.....	612,870 00	
Section houses and other maintenance of way buildings and improvements.....	146,630 00	
Shop buildings, grounds and other motive power service improvements .....	2,331,480 00	
Machinery and tools.....	2,053,180 00	
Electric power transmission.....	2,500 00	
Station buildings, grounds and other transportation service improvements.....	973,876 00	
Dock and wharf property.....	137,310 00	
Fuel and water stations.....	543,710 00	
Telegraph and telephone lines.....	22,500 00	
Interlocking block and other signal apparatus..	896,344 00	
		<hr/> 13,988,344 00
Total .....		\$34,192,050 00

4. Southern Pacific Company is hereby further authorized to issue such amount of its common capital stock at par as may be necessary to exchange for the bonds herein authorized, and which are offered for conversion.

5. Immediately upon the execution of any agreement or agreements under which said bonds are issued, a true copy of said agreement or agreements shall be furnished this Commission.

6. Before any of the money derived from the sale of said bonds shall be spent in California, full and detailed estimates of the additions and betterments and improvements proposed to be made in California shall be furnished for the approval of the Commission.

7. Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of said bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the numbers of the bonds disposed of, the moneys realized therefrom and the use and application of such moneys.

8. The authority hereby given to issue such bonds shall apply only to bonds issued by said company on or before the 1st day of March, 1915.

9. This order shall not be effective until applicant shall first have paid the fee prescribed by section 57 of the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of February, 1914.

---

DECISION No. 1267.

IN THE MATTER OF THE APPLICATION OF SOUTHERN  
COUNTIES GAS COMPANY OF CALIFORNIA FOR AU-  
THORITY TO ISSUE BONDS.

---

Application No. 668.

*Decided February 9, 1914.*

---

Third supplemental order authorizing applicant to issue additional bonds of the face value of \$31,000.00, proceeds to be used for additions and betterments to plant.

REPORT OF THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

LOVELAND, *Commissioner*.

Whereas on the 6th day of August, 1913, this Commission, after a hearing duly had upon the application of the Southern Counties Gas Company of California for authority to issue bonds, granted said Southern Counties Gas Company of California permission to issue its first mortgage 6 per cent thirty-year bonds under its mortgage and deed of trust to Los Angeles Trust and Savings Bank, as trustee, dated April 1, 1911, to the amount of \$75,000.00, such bonds to be issued at different times in such amounts as applicant had justified itself in asking for under the terms of the said mortgage and deed of trust, the conditions of which are that applicant may issue bonds to 75 per cent of the cost of additions and betterments, but can only issue bonds to said amount of 75 per cent of additions and betterments when the net earnings of the company are one and one half times the interest charges on the outstanding bonds, plus one and one half times the interest charges on the bonds proposed to be issued; and

Whereas at the time said application was granted applicant was found to be in position, under the terms of its mortgage, to receive an authorization for the issue of \$7,000.00 in bonds, which authorization was granted to applicant; and

Whereas on September 3, 1913, applicant presented evidence showing that it had complied with the terms of the mortgage and was entitled to the further issue of bonds to the extent of \$6,500.00 face value, and the Commission having made an order authorizing the issuance of said bonds; and

Whereas on December 13, 1913, applicant presented evidence showing that it had complied with the terms of the mortgage and was entitled to the further issue of bonds to the extent of \$9,000.00 face value, and the Commission having made an order authorizing the issuance of said bonds; and

Whereas applicant now presents evidence showing that its earnings are such as to entitle it to a further issue of bonds of the face value of \$31,000.00,

*It is hereby ordered* that Southern Counties Gas Company of California be and hereby is authorized to issue its thirty-year 6 per cent first mortgage bonds of the face value of \$31,000.00 upon the conditions set forth in this Commission's order made in the above entitled proceeding on August 6, 1913, which conditions are made a part of this order.

The foregoing third supplemental order is hereby approved and ordered filed as the third supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of February, 1914.

---

DECISION No. 1268.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES  
AND SAN DIEGO BEACH RAILWAY COMPANY FOR PER-  
MISSION TO MOVE AGENCY AND FREIGHT AND PAS-  
SENGER DEPOT FROM PRESENT TERMINAL GROUNDS  
IN SAN DIEGO.

---

Application No. 957:

*Decided February 9, 1914.*

---

Application of the Los Angeles and San Diego Beach Railway Company to abandon and remove its present freight and passenger depot to a new location approximately three blocks north of present site, granted.

*Leovy & Leovy and T. M. Leovy, for Applicant.*

REPORT OF THE COMMISSION.

THELEN, *Commissioner.*

This is an application for authority to move applicant's agency and freight and passenger depot from its present terminal grounds in San Diego under circumstances which will now be outlined.

Applicant owns a line of railroad, at the present time operated partly by steam cars and partly by gasoline motor cars, between San Diego and La Jolla. For many years, applicant's main passenger and freight terminus in San Diego has been at the foot of C street on lands leased from the Atchison, Topeka and Santa Fe Railway Company. Since 1911, applicant has held these lands for no definite term, but subject to the right of the lessor at any time to cancel applicant's occupancy by thirty-day notice. On December 11, 1913, this notice was given. The Santa Fe will shortly erect a new passenger and freight depot in San Diego and will need for this purpose the land now leased to applicant.

Applicant has accordingly tried to secure some other site for its terminal buildings. The land lying immediately to the east of Arctic street all belongs to the San Diego and Arizona Railway Company and will be utilized for that company's line of railroad. The most available site which applicant could find consists of lots 11 and 12 in block No. 294 of Middletown, at the southwest corner of Ash and Arctic streets, about three blocks north of the present location. This land belongs to Mr. E. S. Babcock, who owns nearly all of applicant's capital stock, and is being used now for a passing track from the applicant's line of railway to the tracks of the Santa Fe, and for storing railway material.

Applicant plans to erect thereon a platform, warehouse, and station and office building. These buildings will be temporary in character. Applicant is now planning to secure an extension of its franchise from the city of San Diego, to issue bonds and then to electrify its line of railroad. If it is successful in this undertaking, applicant will then construct a permanent terminal at or near the proposed new location. In the mean time, all of applicant's San Diego freight will be handled at the proposed new location. Persons taking freight to and from the applicant's San Diego terminus will not be seriously inconvenienced by the change.

Applicant now has an up-town passenger office on Fourth street, between C and D, and proposes, if its petition is granted, to abandon its present passenger agency at the foot of C street and to sell its passenger tickets at its up-town office, and, if necessary, on its trains without additional charge. Nearly all of applicant's San Diego passenger business is now handled through the up-town office, in front of which applicant's electric city line and its gasoline motor cars now stop and start. The remaining San Diego passengers, being largely those who pass through the Santa Fe depot, it is expected to handle by means of an arrangement with the Santa Fe authorizing the use of a portion of the latter company's waiting rooms. Applicant's cars, in passing to and

from the up-town office, will stop at or near the location of applicant's present terminus.

In view of the necessity of abandoning the present location of its terminal grounds, I am of the opinion that applicant has done the best it can do to secure a temporary substitute and I accordingly recommend that the application be granted. Notice of the hearing on the application was duly published, but no one appeared in opposition thereto.

I submit herewith the following form of order:

**ORDER.**

Los Angeles and San Diego Beach Railway Company having filed its petition asking authority to abandon its depot and station agency at its present main terminus, on leased ground, at the foot of C street in San Diego, and to remove its buildings from said terminus to lots 11 and 12 in block 294 of Middletown, at the southwest corner of Arctic and Ash streets, at which location applicant will erect a temporary passenger station, depot, freight platform and warehouse, and a public hearing having been held on said application and no one appearing in opposition thereto, and the Commission finding that in view of all the circumstances the application should be granted,

*It is hereby ordered* that said application be and the same is hereby granted, this authority to become effective immediately.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of February, 1914.

## DECISION No. 1269.

IN THE MATTER OF THE SCHEDULE OR TARIFFS OF RATES  
OF CHARGES OF WELLS FARGO & COMPANY.

Case No. 122.

MERCHANTS AND MANUFACTURERS' ASSOCIATION OF LOS  
ANGELES.*vs.*

WELLS FARGO &amp; COMPANY.

Case No. 279.

CALIFORNIA CENTRAL CREAMERIES

*vs.*

WELLS FARGO &amp; COMPANY.

Case No. 307.

THE COUNTY OF ORANGE

*vs.*

WELLS FARGO &amp; COMPANY.

---

Case No. 312.*Decided February 9, 1914.*

---

Order directing Wells Fargo & Company to publish and make effective on and after March 1, 1914, for California intrastate traffic, the rates prescribed by the Interstate Commerce Commission for interstate business with certain prescribed changes for initial charges, so as to place interstate and intrastate business upon a uniform basis.

Said rates to be only tentative until such time as they are shown to either bring about the result intended under the original order or to substantially vary from the reduction formally intended to be brought about by the Commission.

## REPORT OF THE COMMISSION.

This case was decided on the 1st day of August, 1913, and thereafter, within the time allowed by law, the defendant, Wells Fargo & Company, applied for a rehearing, and the Commission permitted evidence to be introduced on said application.

The main contentions of Wells Fargo & Company upon which it bases its application for rehearing are that the Commission had improperly apportioned terminal expenses between state and interstate business and that the months upon which the decision was based as being typical months, were not in fact typical, and by reason of this fact the

Commission intending to bring about a reduction of 15 per cent had nevertheless brought about a reduction approximating 21 per cent.

It is only necessary here to refer to the fact that the months selected, namely, June and July, were stipulated to be typical months by the defendant. But this Commission desires to do what is right by this company and not hold it to the strict effect of the stipulation if it can be shown that such stipulation is contrary to the fact.

As far as improper apportionment of terminal expenses between state and interstate business is concerned, it was brought out in the evidence on rehearing, and is admitted by the defendant, that the method pursued by the Commission is the proper method and that the main difference arises from the failure of the Commission to count state pieces twice as against interstate pieces once.

It is not necessary at this time to pass upon the application for rehearing, and the same may be held in abeyance for the following reasons:

Shortly after the decision of this Commission the Interstate Commerce Commission rendered its final decision in the so-called Express Cases, and ordered in schedules of rates which contemplate a reduction of approximately 15 per cent in the interstate revenue of this carrier. Subsequently, on the suggestion of the Interstate Commerce Commission and the Commissioner who originally conducted the express rate investigation for that Commission, this Commission suspended the effective date of its order and withheld a decision on the application for rehearing with a view to making an attempt to bring about uniformity between the rates heretofore prescribed by this Commission for intra-state business and those subsequently prescribed by the Interstate Commerce Commission for interstate business.

It, of course, is the desire of this Commission, in the interest of uniformity, to make its method of stating rates and the rates themselves conform as nearly as may be with the methods and rates prescribed by the Interstate Commerce Commission. Having this desire, however, it is not our intention or inclination so to modify any order entered by this Commission as substantially to defeat the result attempted to be brought about by such order. In certain respects the Interstate Commerce Commission's method of stating rates is not applicable to state business, particularly to rates applying over short distances.

After repeated conferences, however, the Commission has reached the conclusion that it will be justified in adopting the method of stating state rates which is so nearly analogous to the method of the Interstate Commerce Commission as to bring about practical uniformity and at



the same time bring about substantially the same reduction intended to be brought about by this Commission's original decision. This, however, we are only willing to do as a tentative proposition, and we have instructed Wells Fargo & Company to keep a record of the traffic received and forwarded from the 1st of March to the 1st of November at San Francisco, Sacramento, Stockton, San Jose, Fresno, Los Angeles and San Diego, and to show the revenue that would have been obtained at the present rates and likewise the revenue actually obtained from the rates herein prescribed, after which time, if the Commission is sure that its present belief is correct, namely, that the rates herein permitted to be charged bring about the result designed to be brought about by the decision originally rendered in this case, such rates may be allowed to remain in effect, otherwise a decision on the application for rehearing here involved will be rendered wherein a final disposition of the case will be made.

In accordance with what has heretofore been said, Wells Fargo & Company will publish and make effective for California intrastate traffic on and after March 1, 1914, the Interstate Commerce Commission's scale of rates prescribed in its Decision No. 1967, commencing, however, with a rate of 55 cents per hundred pounds for the first sub-block; 60 cents per hundred pounds for the second sub-block; 65 cents per hundred pounds for the third sub-block, and 70 cents per hundred pounds for the fourth sub-block; the rates beyond the fourth sub-block to conform in all respects to the decision of the Interstate Commerce Commission. These rates are to apply on merchandise under the graduations provided by the Interstate Commerce Commission, which graduations are practically the same as those heretofore prescribed by this Commission.

All articles of foodstuffs and beverages, except milk, shall be based on 75 per cent of the merchandise rate, but in no case to exceed the present existing commodity rates. In constructing milk rates the express company will start with a rate of 10 cents per hundred pounds and grade the same upon a normal basis not to exceed in any case the present milk rates; this scale of milk rates to be presented to the Commission for approval within ten (10) days.

The express company will render monthly a statement showing a record of waybills received and forwarded at the points hereinbefore mentioned. These statements to show the amount collected under the new scale of rates and the amount that would have been collected under the existing rates, such information to be furnished for the months of March to October, inclusive.

Dated at San Francisco, California, this 9th day of February, 1914.

Decision No. 1270, grade crossing, not printed. See end of volume.

DECISION No. 1271.

IN THE MATTER OF THE APPLICATION OF SOUTHERN  
PACIFIC COMPANY FOR AUTHORITY TO ISSUE FIFTY-  
FIVE MILLION DOLLARS OF FIVE PER CENT BONDS.

Application No. 982.

*Decided February 10, 1914.*

Supplemental order specifying several additional purposes to which applicant may devote the proceeds of bonds heretofore authorized, and permitting applicant to redeem same after five years at 105.

REPORT OF THE COMMISSION.

SUPPLEMENTAL ORDER.

This Commission having in its order of February 9, 1914, in the above entitled matter, granted authority to Southern Pacific Company to issue \$55,000,000.00 of 5 per cent twenty-year convertible bonds, and said order having specified that the proceeds from the sale of said bonds shall be used for certain additions and betterments to applicant's system enumerated in said order; and it appearing that the applicant proposes also to use a portion of the proceeds from the sale of said \$55,000,000.00 of bonds for the payment of certain loans and toward the purchase of new equipment,

*It is hereby ordered* that Southern Pacific Company be granted authority, and it is hereby granted authority, to use the proceeds from the sale of said \$55,000,000.00 of bonds for the following purposes in addition to the purposes specified in the Commission's order of February 9, 1914:

Payment of five per cent one year notes of company, due	
June 15, 1914.....	\$26,000,000 00
Amount due for purchase of new equipment.....	3,000,000 00
Loan due May 29, 1914.....	4,500,000 00

It appearing further that the applicant herein desires authority to redeem any or all of said bonds after five years at 105 per cent face value of said bonds.

*It is hereby ordered* that Southern Pacific Company be granted authority, and it is hereby granted authority, to redeem any or all of said bonds, as it may elect, after five years at 105 per cent of face value of said bonds.

It appearing further that the applicant herein desires authority to pay to the bankers and underwriters' syndicate a sum not to exceed \$25,000.00 to cover the expenses of said bankers and underwriters in connection with the flotation of the securities herein authorized,

*It is hereby ordered* that Southern Pacific Company be granted authority, and it is hereby granted authority, to use a sum not to exceed \$25,000.00, to be derived from the sale of the bonds heretofore authorized, for the purposes of paying the necessary expenses of the bankers and underwriters' syndicate with whom it may contract for the sale of the bonds heretofore authorized.

By order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of February, 1914.

---

DECISION No. 1272.

IN THE MATTER OF THE APPLICATION OF PACIFIC COAST RAILWAY COMPANY FOR APPROVAL OF FRANCHISE GRANTED BY BOARD OF SUPERVISORS OF THE COUNTY OF SAN LUIS OBISPO TO SAID RAILROAD COMPANY TO CONSTRUCT, OPERATE AND MAINTAIN A WHARF IN THE BAY OF SAN LUIS OBISPO.

---

Application No. 948.

*Decided February 13, 1914.*

---

REPORT OF THE COMMISSION.

Pacific Coast Railway Company having applied for the approval of this Commission under section 2906 of the Political Code of this State to the exercise by applicant of the rights and privileges granted to applicant by the county of San Luis Obispo by ordinance of said county passed on January 6, 1914, and granting to Pacific Coast Railway Company a franchise to construct, operate and maintain a wharf from the line of ordinary high tide upon, over and under the bay of San Luis Obispo in the Pacific Ocean and the county of San Luis Obispo, and to take tolls for the use of the same, which franchise is attached to the application in this proceeding and marked "Exhibit D"; and the Commission being of the opinion that this application should be granted,

*It is hereby ordered* that the above entitled application be and the same is hereby granted.

By order of the Railroad Commission.

Dated at San Francisco, California, this 13th day of February, 1914.

## DECISION No. 1273.

IN THE MATTER OF THE APPLICATION OF F. W. GOMPH, AGENT FOR THE PACIFIC FREIGHT TARIFF BUREAU, FOR AN ORDER GRANTING PERMISSION TO AMEND RULE 10 OF EXCEPTION SHEET NO. 1-C, C. R. C. NO. 70, COVERING ALLOWANCES FOR DUNNAGE USED IN CONNECTION WITH FREIGHT LOADED ON FLAT, GONDOLA OR OTHER OPEN CARS TO PROVIDE THAT IT WILL NOT APPLY TO FOREST PRODUCTS SPECIFIED IN ITEM 49, OR ON TAN BARK.

---

Application No. 847.

*Decided February 13, 1914.*

---

Application of Pacific Freight Tariff Bureau, acting for certain carriers, to amend Rule 10 of Exception Sheet No. 1-C, C. R. C. No. 70, covering allowance for dunnage used in securing loads on open cars, to provide that it will not apply to forest products or tan bark and limiting said allowance as regards these items to 500 pounds, denied.

*George D. Squires*, for the lines represented by the Pacific Freight Tariff Bureau: Western Pacific, Southern Pacific, Santa Fe and Northwestern Pacific Railroads.

*F. P. Westfall*, representing the Chamber of Commerce of the City of San Francisco, and a number of individual firms not members of the Chamber of Commerce.

*Henry Riddiford*, representing the wholesale lumber dealers of Los Angeles and San Pedro.

*F. M. Hill*, representing the Fresno Traffic Association.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

In this application the Atchison, Topeka and Santa Fe Railroad, Coast Lines, Southern Pacific Company, Western Pacific Company, and Northwestern Pacific Railroads, parties to Pacific Freight Tariff Bureau Exception Sheet No. 1-C., Agent F. W. Gomph's C. R. C. No. 70, request authority to cancel the application of Rule 10 thereof in so far as it applies to shipments of forest products, as described in Item 49 of said exception sheet, or tan bark, in carload quantities when loaded on flat, gondola or other open cars and moving between points within the State of California over the lines of the applicant carriers governed by said exception sheet. This rule provides:

“When articles in carloads require flat, gondola or other open cars for their transportation, the weight of blocking bolsters, racks, standards, stakes, strips, bearing pieces or supports used to retain

the load on the car or to re-enforce equipment will be added to the car tare, but the weight of such dunnage may not be employed to make minimum carload on commodity transported."

If the permission to so restrict the application of this rule is granted, shipments of forest products or tan bark in carload quantities loaded on flat, gondola or open cars moving within the State of California over the lines of the applicant carriers will, except where otherwise provided in tariff of said carriers, be subject to Rule 27 of the Western Classification No. 52, Agent F. W. Gomph's C. R. C. No. 84, which provides that:

"An allowance not to exceed 500 pounds will be made for temporary blocking racks, standards, strips, stakes or similar bracing dunnage or supports not constituting a part of the car when required to protect and make secure for shipment property on flat or gondola cars upon which carload ratings are applied. Such material must be furnished and installed by the shippers and at his expense.

"Carriers will not be responsible for the removal or damage to such bracing, dunnage or supports and it will be optional with them to remove or return to shippers if not taken by consignees."

Under the present rule any amount of dunnage necessarily used by the shippers to brace and retain the load on the car or to re-enforce the equipment is transported free of charge, and if the proposed change were authorized by the Commission an allowance not to exceed 500 pounds would be made for dunnage necessary to brace and secure the load on the car, and on any dunnage in excess of that amount the transportation rate applying on the forest products or tan bark would be changed. The proposed change in this regulation would operate in some cases to increase the charge on carload shipments of forest products or tan bark, when loaded on flat, gondola or other open cars moving between points in California over lines of the carriers making this application, and it therefore becomes necessary under the provisions of section 63 of the Public Utilities Act for such carrier to secure the affirmative approval and authorization of the Commission before such change can be lawfully made, and upon the applicant rests the burden of showing that the change is justified.

In justification of the proposed change, the applicants advance the following reasons:

*First*—That it is impracticable to secure the weight of the dunnage and that under the present regulation shippers of forest products or tan bark may have transported free of charge lumber that is not necessary to brace the load.

*Second*—That because the dunnage used to brace such ladings is the same material as that of which the load consists and is valuable as a part of the load at destination there is no incentive to restrict the use of same as is the case where dunnage is used to brace ship-

ments other than forest products, such as machinery, pipe, etc., as in such cases the dunnage has to be obtained for that special use and usually is not taken or if taken is not again resold.

*Third*—That 500 pounds of dunnage is sufficient to properly protect and brace or bind carload shipments of forest products or tan bark on flat, gondola or open cars.

In my opinion the allegation that it is impracticable to always secure the weight of the dunnage used is well-founded. However, other than the statement that shippers of forest products may, by reason of the present rule, be able to have merchantable lumber transported free, the applicant offered no evidence to show that the shippers were taking advantage of the present regulation and actually having merchantable lumber transported free as dunnage. The testimony of shippers protesting against the proposed change was emphatical in the denial of such a practice and further showed that the dunnage used to brace such loads was not considered merchantable lumber, and, in fact, was not such. The fact that the dunnage on shipments of lumber on open cars from San Pedro to Los Angeles is returned to San Pedro and is used again for that purpose, as shown by the testimony, sustains the protesters' contention in this regard. That the dunnage is charged for by the lumber dealers at the same price in some cases as the load does not establish the fact that it can be and is used as merchantable lumber or for a purpose other than the bracing of loads or re-enforcing the equipment. If this were conclusive, it might with good reason be urged that dunnage used in connection with shipments other than lumber was thereafter otherwise used commercially and that, therefore, with shipments of pipe, for example, a certain amount of merchantable lumber was transported on which the carriers received no transportation charge, as the applicants did not show that dunnage used with such load was not likewise charged for and thereafter sold by the consignee. In fact, the evidence shows that the stakes used as dunnage are usually sharpened at one end so as to fit the holes or pockets on the cars and are secured by corresponding strips or binders with nails which impair the value of such material and render it unsalable as merchantable lumber. Nor did the applicants show by testimony that shippers of lumber used any more dunnage than was absolutely necessary to properly secure the load on the cars.

The carriers' allegation that 500 pounds of dunnage was sufficient to properly protect the load was not sustained by the evidence. On the other hand, the representatives of the shippers showed that a considerably greater amount of dunnage in certain cases was used, and in the absence of evidence that the amount of 500 pounds thus used was superfluous it must, I believe, be presumed that it was necessary to protect the load. Further, the evidence submitted by the carriers seems to sustain this conclusion, as the testimony of Mr. J. K. Butler was that on 173 cars

loaded with forest products moving out of Oakland an average of 608 pounds of dunnage had been used. I am of the opinion, therefore, that the carriers have failed to sustain the reasons alleged in justification of the proposed change in the regulation and that the application should, therefore, be denied.

It was developed in this proceeding that although the Atchison, Topeka and Santa Fe, Coast Lines, has now in effect a regulation governing local shipments of lumber over its lines, which limits the allowance for dunnage to 500 pounds, it is not enforced and that on shipments actually moving under the tariff containing this regulation dunnage in excess of that amount is permitted and transported free, as indicated by the following statement of shipments:

From—	To—	Date	Car initial and number	Weight of shipment	Deduction for dunnage	Net weight of shipment	Rate	Freight
				Pounds	Pounds	Pounds		
Oakland----	Escalon ---	3/22/13	AT 93532	78,700	1,260	77,440	\$1 65	\$63 90
Oakland----	Visalia ----	9/16/13	AT 96990	43,270	640	42,630	4 60	98 05
Oakland----	Escalon ---	5/ 9/13	AT 94781	67,000	740	66,260	1 65	54 66
Oakland----	Visalia ----	10/18/13	AT 94981	41,900	630	41,270	4 60	94 92
Oakland----	Bakersfield	10/27/13	AT 97730	56,000	640	55,360	5 55	153 62
Bay Point..	Stockton -	11/20/13	AT 94880	61,400	675	60,725	90	27 33
Bay Point..	Stockton -	11/20/13	AT 96913	46,160	675	45,485	90	20 47
Bay Point..	Escalon ---	11/28/13	AT 93424	56,680	675	56,005	1 35	37 80
Bay Point..	Stockton -	12/11/13	AT 97985	46,220	574	45,646	90	20 54

The assistant general freight agent of the Atchison, Topeka and Santa Fe Railway, Coast Lines, stated that this violation of the tariff provision was unintentional and due to the errors of that carrier's agents, induced, in part, because of the existence of different regulations governing such traffic, and that it was not the intention of his line to depart from or wilfully violate its tariff provisions. I believe that this explanation should be accepted in good faith, but I am of the opinion that the Atchison, Topeka and Santa Fe Railway, Coast Lines, should amend its local regulation to conform to the regulation of the exception sheet, and which its agents erroneously believe to be in effect on that line, and thereby avoid future violations of the lawful provisions of its tariffs.

I recommend the following form of order:

#### ORDER.

F. W. Gomph, agent for the Pacific Freight Tariff Bureau, acting for carriers, parties to the Pacific Freight Tariff Bureau, to wit, the Western Pacific, Southern Pacific, Santa Fe and Northwestern Pacific Railroads, having requested permission to amend Rule 10 of Exception Sheet No. 1-C, C. R. C. No. 70, covering allowance for dunnage used in connection with freight loaded on flat, gondola or other open cars so as to provide that it will not apply to forest products specified in Item 49,

or tan bark, and a hearing having been regularly held, testimony in favor of the application and also of shippers protesting against the granting of said permission having been heard, and the matters and things connected with the application carefully considered, and the Commission having found that the carriers have not justified the application and that it ought, therefore, be denied,

*It is hereby ordered* that said application be and it is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 13th day of February, 1914.

---

DECISION No. 1274.

IN THE MATTER OF THE APPLICATION OF THE NEVADA, CALIFORNIA AND OREGON TELEGRAPH AND TELEPHONE COMPANY FOR PERMISSION TO LEASE ITS ENTIRE PLANT TO A. J. MATHEWS, WM. E. HILLS, AND SCOTT HENDRICKS.

Application No. 744.

IN THE MATTER OF THE APPLICATION OF THE CALIFORNIA AND OREGON TELEGRAPH COMPANY FOR PERMISSION TO ACCEPT AN ASSIGNMENT OF A CERTAIN LEASE WHEREIN MESSRS. A. J. MATHEWS, WM. E. HILLS AND SCOTT HENDRICKS HAVE LEASED THE ENTIRE PLANT OF THE NEVADA, CALIFORNIA AND OREGON TELEGRAPH AND TELEPHONE COMPANY.

---

Application No. 745.

*Decided February 13, 1914.*

---

REPORT OF THE COMMISSION.  
ORDER OF DISMISSAL.

Applicants in the above entitled applications having on February 6, 1914, made written request to this Commission that the above entitled applications be dismissed.

*It is hereby ordered* that each of the above entitled applications be, and the same hereby is, dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 13th day of February, 1914.

14—10192



## DECISION No. 1275.

GRAYSON-OWEN COMPANY  
*vs.*  
SOUTHERN PACIFIC COMPANY.

Case No. 356.

*Decided February 9, 1914.*

Application of the defendant for a rehearing in the above entitled matter, dismissed.

*J. O. Bracken*, for Complainant.

*George D. Squires* and *H. C. Booth*, for Defendant.

## REPORT OF THE COMMISSION.

## OPINION ON MOTION FOR REHEARING.

LOVELAND and THELEN, *Commissioners*.

This case came on regularly for hearing before the Commission upon complaint and answer and, after a thorough presentation to and consideration by the Commission of the matters and things involved herein, a decision was rendered on June 17, 1913, awarding complainant six hundred and fifty four (654) dollars as reciprocal demurrage for the failure of defendant to furnish cars to complainant, as provided by law.

Thereafter, to wit, on August 16, 1913, defendant filed a petition for rehearing which was set down for argument and was argued and additional testimony introduced on December 5, 1913, at which time the rate department of the Commission presented a statement showing the equipment in freight cars of railroads comparable to defendant, such statement apparently showing as a fact that this defendant company was not as well equipped as other roads which might reasonably be compared with it.

The defendant asked for an adjournment of the hearing to give it time to meet this testimony, and further time was given, the application being finally heard and submitted on January 24, 1914. At that time various statements were presented by defendant and filed as exhibits in the case, the general object of which was to show that the equipment of the defendant, Southern Pacific Company, was in many respects equal to, and in some ways superior to, that of other roads of like character and importance.

We do not consider it necessary to comment upon these tables further than to say that, while they were ingeniously prepared and illuminating in some respects, they do not, in our judgment, refute the testimony given by the rate expert of the Commission. It is idle to say that any statement that the equipment of the defendant company is equal or superior to that of the Pennsylvania system, when conditions of traffic

are considered, or any statement that shows the number of cars owned per thousand tons of freight carried, without some idea as to the average distance a ton of freight is carried, or the average loading of a car, is not appealing to the Commission as to the former, and conveys no proper idea or efficiency of the road, so far as equipment is concerned, as to the latter.

For instance, if the Pennsylvania railroad or Pennsylvania Company only carries freight an average distance of one half the distance the Southern Pacific Company carries it, and at the same time loads the equipments nearly twice as heavily as does the Southern Pacific Company, it is obvious that the Pennsylvania railroad, as well as the defendant herein, would occupy a different position in Table No. 3, presented by the defendant.

It is our understanding that, under section 45 (a) of the Public Utilities Act, it is the duty of the Commission to prescribe uniform demurrage charges, so that the same penalty shall be paid by both shipper or consignee and railroad corporation for failure to release equipment by shipper or consignee or for failure to provide equipment by the railroads.

Acting in accordance with this provision of the Public Utilities Act, the Commission promulgated its uniform rules for demurrage and reciprocal demurrage for broad gauge railroads in this State. Under such rules, it was intended that railroads should be compelled to pay demurrage to a shipper for failure to furnish cars unless, under certain circumstances, they could furnish an excuse satisfactory to the Commission; and it seems manifestly absurd that railroads should be relieved from paying this demurrage on the ground of car shortage unless such car shortage makes it absolutely impossible to furnish them.

A study of the equipment available on the division comprehended in this case and on two adjoining divisions satisfies us that such a condition of car shortage did not exist as should be accepted as a reason for relieving defendant from reciprocal demurrage charge.

The reciprocal feature of our rule would seem to us to be absolutely worthless if carriers could only be compelled to furnish cars when they are plentiful. When cars are plentiful, carriers are only too willing to furnish them. Consequently, the reciprocal feature is of no advantage to the shipping public at such a time, and it is only in times of car shortage—and by this we do not mean a dearth of cars, but such a shortage as requires extra effort upon the part of the carriers to provide equipment—that the reciprocal feature is supposed to cover and to be of benefit to the shipping public.

We see no reason for reversing or changing the former opinion and order of the Commission, and recommend that said former opinion and order be affirmed and the application for rehearing dismissed.

We recommend the following form of order:

**ORDER.**

A decision having heretofore, to wit, on June 17, 1913, been rendered in the above entitled case, awarding complainant six hundred and fifty-four (654) dollars as reciprocal demurrage, and defendant having applied for a rehearing, and having been given an opportunity to present argument and further testimony in favor of said rehearing, and the Commission having carefully considered such argument and evidence offered in favor of rehearing, and having found that its former decision should be reaffirmed and this application dismissed,

*It is hereby ordered* that the application of the defendant, Southern Pacific Company, for a rehearing in Case No. 356 (Grayson-Owen Company, complainant, versus Southern Pacific Company, defendant) be and it is hereby dismissed.

The foregoing opinion on motion for rehearing and order are hereby approved and ordered filed as the opinion on motion for rehearing and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of February, 1914.

---

DECISION No. 1276.

IN THE MATTER OF THE APPLICATION OF CHARLES A. LORAIN FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE A TELEPHONE FRANCHISE GRANTED BY THE BOARD OF SUPERVISORS OF EL DORADO COUNTY, CALIFORNIA.

---

Application No. 889.

*Decided February 14, 1914.*

---

Application of Charles A. Lorain for a certificate of public convenience and necessity to construct and operate a rural telephone line along certain roads in El Dorado County, granted.

*Charles A. Lorain, in propria persona.*

REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

This is an application of Charles A. Lorain, engaged in the business of farming and conducting a country store at Green Valley, in El Dorado County, California, for permission to exercise certain franchise rights granted by the board of supervisors of El Dorado County in Ordinance No. 80, passed on November 10, 1913, to construct and

operate a rural telephone line along the Green Valley road from Rescue to the Sacramento County line, and along the Deer Valley road between its points of intersection with the Green Valley road. This franchise is granted for a period of fifty years from the date of passage of Ordinance No. 80, and provides that after a period of five years succeeding the date of the grant, 2 per cent of the gross annual receipts arising from its use, operation and possession shall be paid to the said county of El Dorado.

The only telephone service at present afforded the public in the territory through which the applicant desires to construct his line is by a rural line privately owned and connecting with the local telephone exchange of The Pacific Telephone and Telegraph Company at Folsom, about eleven miles distant from the town of Rescue. There are seven telephones now connected and receiving service over this line. Before additional telephones may be connected with this line, permission must first be obtained from its owners, and as in other instances in which lines are privately owned, necessary laterals and telephone sets must be provided at the expense of those desiring telephone service. The rates charged its patrons are the rates charged by The Pacific Telephone and Telegraph Company to all that company's rural or farmer line patrons for service at Folsom. There are approximately fifty-six families residing within the territory through which this line is constructed, many of whom desire telephones. This line is wholly inadequate to serve this community, and according to testimony introduced at this hearing, service is otherwise unsatisfactory, due largely to the poor condition of the line.

It appears, further, according to testimony of the applicant, that the owners of the present line are not operating it as a public utility, and are not obligated to provide a public telephone service. The applicant desires to build rural lines through this territory to provide service for the general public through connection with The Pacific Telephone and Telegraph Company's local telephone exchange at Folsom, and to charge subscribers rates yet to be determined and a rate of 25 cents as a toll charge for the use of these lines at subscribers' stations by non-subscribers.

It may be reasonably held as a general proposition that regular subscribers or patrons of a utility by the payment of established monthly or yearly rates or charges are entitled to the unlimited use of facilities and service to cover which such established rates are provided. On the other hand, it may also be reasonably argued that this unlimited use does not extend to others who do not share in the payment of such established rates. The routes to be traversed by the proposed lines are extensively traveled by tourists and others to whom access to telephone service is frequently a vital necessity, but convenient locations for

public telephone stations are frequently, as in this particular instance, unavailable. Access to subscribers' telephones will be a necessary public convenience, and it is for such use of the applicant's lines that he desires permission to charge a toll to non-subscribers. While such a charge may be justifiable on this basis, the subscriber is not usually under obligation to the public for the use of a telephone on his premises. It is my opinion that if a subscriber in such cases does allow others the use of his telephone, and if the owner of a utility is allowed to charge a toll for such use of the utility's facilities and service, the subscriber whose telephone and premises is turned over to such public use is reasonably entitled to compensation in proportion to his labor in rendering such service. The applicant is willing to allow his subscribers 50 per cent of such tolls as may be collected by them for this service and to provide specifically in their contracts for this payment.

The applicant is not yet able to determine beyond a possible estimate what amount of investment will be required to provide this proposed service. If this application is granted, a canvass will be made to determine the amount and cost of the necessary construction and thereupon a schedule of proposed rates will be submitted to the Commission.

There is no other public utility now operating telephone lines in this territory, and no objection to the arrangement as here presented was offered, nor is any reasonable objection apparent. I am of the opinion that the public convenience and necessity will be subserved by the granting of this application and recommend the following order:

**ORDER.**

Application having been made to this Commission by Charles A. Lorain, for permission to exercise certain franchise rights granted by the board of supervisors of El Dorado County in Ordinance No. 80, passed on November 10, 1913, for the construction, maintenance and operation of a rural telephone line as a public utility along the Green Valley road from Rescue to the Sacramento County line and along the Deer Valley road between its points of intersection with the Green Valley road, for connection with the local telephone exchange of The Pacific Telephone and Telegraph Company in the city of Folsom, California, and to charge his subscribers and patrons rates for service in connection therewith, and a public hearing having been held thereon and no reasonable objection appearing thereto, it is hereby declared that public convenience and necessity require the exercise by Charles A. Lorain of the rights and privileges granted him by the board of supervisors in Ordinance No. 80, passed on November 10, 1913, and

*It is hereby ordered* that applicant shall within ninety days from the date of this order submit to the Commission a schedule of rates to be charged his patrons for long distance telephone toll and exchange

telephone service, also a form of contract for local exchange and long distance toll service, which contract shall specifically provide for the payment by the applicant to his subscribers of a commission for the collection of tolls by his subscribers for the use of the applicant's lines from subscribers' telephone stations, as set forth in the opinion accompanying this order, which schedule of rates and contract shall become effective only after approval by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of February, 1914.

---

DECISION No. 1277.

IN THE MATTER OF THE APPLICATION OF L. G. THISTLE  
AND THE PACIFIC TELEPHONE AND TELEGRAPH COM-  
PANY FOR AUTHORITY THE ONE TO ENTER AND THE  
OTHER TO WITHDRAW FROM TERRITORY IN AND ADJA-  
CENT TO MARIPOSA, MARIPOSA COUNTY, CALIFORNIA.

---

Application No. 927.

*Decided February 14, 1914.*

---

Application of The Pacific Telephone and Telegraph Company and L. G. Thistle, the former to withdraw and the latter to enter and operate a telephone exchange in the town of Mariposa, granted. Permission conditioned upon the subsequent filing and approval by the Commission of the rates to be charged by L. G. Thistle.

*L. G. Thistle, in propria persona.*

*H. A. Johnson, for The Pacific Telephone and Telegraph Company.*

REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

This is an application for authority of the Commission to The Pacific Telephone and Telegraph Company to formally withdraw from Mariposa and adjacent territory, in which it formerly operated a telephone system as a public utility, in favor of L. G. Thistle, and for authority to the latter to formally establish a telephone system as a public utility and to establish rates for telephone service in the same territory. It involves also a connection with the toll system of The Pacific Telephone and Telegraph Company for long distance toll service to points beyond Mariposa.

The hearing in this application developed the fact that The Pacific Telephone and Telegraph Company formerly owned a small telephone exchange in Mariposa and employed L. G. Thistle as its agent at this exchange. The demand for telephone service has for a number of years been very limited at this point, and eventually the amount of business became so small as a result of the limited demand for service as to render its continued operation by The Pacific Telephone and Telegraph Company possible only at a loss to that company. For this reason it desired to withdraw from this territory and to discontinue its exchange.

Mr. Thistle, however, desiring not to be left without telephone communication, purchased and installed a switchboard at his own expense, and arranged with The Pacific Telephone and Telegraph Company for the connection of its toll lines with his switchboard. This arrangement was completed prior to jurisdiction being conferred upon the Commission by the Public Utilities Act.

Former patrons who had voluntarily discontinued service have since requested reinstallation of telephones, and it is to formally authorize the reinstallation of service and rates on the part of Mr. Thistle, which arrangement also involves the formal withdrawal of The Pacific Telephone and Telegraph Company, that this joint application is now made to the Commission.

The rates for long distance toll service which the applicants desire to charge their patrons are the rates of The Pacific Telephone and Telegraph Company to and from points beyond Mariposa. The rates which Mr. Thistle desires to establish for exchange service as specified within this application are as follows:

	Business	Residence
One-party -----	\$2 50	\$2 50
Two-party -----	2 00	2 00
Four-party -----	1 50	1 50
Extensions -----	1 00	1 00
Farmer line service -----		50

The territory which L. G. Thistle purports to serve from his exchange embraces a radius of three miles from the center of the town of Mariposa. The schedule of rates for exchange service specified in the application does not provide a differential in rates as between business and residence service, nor does it provide for any rate for patrons who may be located at the extreme limits of the three mile radius different in any respect from the rate provided for patrons located at points nearer to the exchange. These matters were directed to the applicants' attention and permission was requested to substitute a revised schedule to the Commission.

It is also proposed to enter into a connecting agreement with The Pacific Telephone and Telegraph Company for the interchange of service between the system of that company and the exchange at Mariposa, under the terms of which The Pacific Telephone and Telegraph Company agrees to pay as commissions to L. G. Thistle for handling its business 15 per cent of the tolls paid at Mariposa. In other instances similar to this with respect to the interchange of service, The Pacific Telephone and Telegraph Company, upon its own acknowledgment that 15 per cent is not a sufficient compensation in such cases, has been required by the Commission to allow its connecting companies 30 per cent of originating paid tolls or the equivalent of 30 per cent divided between originating and incoming business. There is nothing to indicate that this should not be done in this case, and The Pacific Telephone and Telegraph Company, through its representative, agreed at the hearing to so modify its proposed connecting agreement as to provide for the payment of this amount of commission for handling this business. Both parties to this application testified that there are no other telephone lines now operating as public utilities in the territory involved in this application, and it is my opinion that the public convenience and necessity require the establishment of this service. No one having appeared in objection thereto, I believe the application should be granted and recommend the following form of order:

**ORDER.**

Application having been made to this Commission by L. G. Thistle and by The Pacific Telephone and Telegraph Company for authority the one to enter and the other to withdraw from territory in and adjacent to Mariposa, Mariposa County, California, as defined in that certain proposed connecting agreement filed with this application, and a public hearing having been held thereon and no reasonable objection appearing,

*It is hereby ordered* that the application of L. G. Thistle and of The Pacific Telephone and Telegraph Company for authority the one to enter and the other to withdraw from certain territory in and adjacent to Mariposa, Mariposa County, California, operating a telephone system as a public utility, as hereinbefore provided, and for permission to publish, file and put into effect rates for exchange and long distance telephone toll service, be and the same is hereby granted; provided that there shall be filed with this Commission within sixty days from the date of this order on the part of L. G. Thistle a revised schedule of rates satisfactory to the Commission to be charged his patrons for exchange telephone service, as provided in the opinion accompanying this order, and on the part of The Pacific Telephone and Telegraph



Company of a revised connecting agreement providing for the payment to L. G. Thistle by The Pacific Telephone and Telegraph Company of 30 per cent of its originating paid tolls, or the equivalent of 30 per cent divided between originating and incoming messages, as provided in the opinion accompanying this order; and provided, further, that this permission is not to be taken as approval of the applicants' rates, since the Commission has not yet passed upon their ultimate reasonableness.

This order to be and become effective after thirty days from the date of filing on the part of the applicants with this Commission of the schedule of rates, and of the revised connecting agreement as herein provided for, unless the Commission shall make objection to the rates within thirty days from the date of such filing.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of February, 1914.

---

DECISION No. 1278.

IN THE MATTER OF THE APPLICATION OF THE BANNING GAS AND LIGHTING COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE CONSTRUCTION AND OPERATION OF AN ELECTRICAL SYSTEM IN THE CITY OF BANNING.

---

Application No. 897.

*Decided February 17, 1914.*

---

REPORT OF THE COMMISSION.

ORDER OF DISMISSAL.

Applicant in the above-entitled matter having, on the 16th day of February, 1914, made written request to this Commission that the above-entitled application be dismissed,

*It is hereby ordered* that the above entitled application be, and the same is, hereby dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 17th day of February, 1914.

## DECISION No. 1279.

IN THE MATTER OF THE APPLICATION OF THE OCEAN-SIDE ELECTRIC AND GAS COMPANY FOR AUTHORITY TO RENEW NOTES IN THE SUM OF TWELVE THOUSAND FOUR HUNDRED AND FORTY-TWO DOLLARS, AND TO ISSUE BONDS IN THE SUM OF TWENTY-FIVE THOUSAND DOLLARS.

---

Application No. 951.

*Decided February 17, 1914.*

---

Applicant authorized to renew notes of the face value of \$12,442.00 and to issue bonds of the face value of \$25,000.00, sufficient of said bonds to be sold at the present time at not less than 90 so as to net applicant the sum of \$14,100.00, which shall be used partly to pay off notes, herein authorized to be renewed, and the balance to refund treasury for money expended for additions and betterments to plant. Balance of said bonds to be issued only under supplemental order.

*R. D. Locoe and Eugene V. Griffes, for Applicant.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This application came on regularly for hearing in San Diego, February 10, 1914.

Applicant, the Oceanside Electric and Gas Company, is a corporation duly organized and existing under the laws of the State of California, engaged in furnishing electric energy and gas to the people in the town of Oceanside, and in the San Luis Rey Valley, county of San Diego, California.

The company has a capital stock of \$25,000.00, of which \$18,190.00 has been issued. Copy of articles of incorporation, financial statement, and inventory of property were filed with the application.

The company was incorporated on the 23d day of September, 1904, and during the first years of its operation found it necessary to borrow different sums amounting in the aggregate to about \$6,000.00.

No dividends have ever been declared, but in 1905 or 1906 an assessment was declared, and \$1,800.00 realized from such assessment was paid on the \$6,000.00 above referred to. Thereafter, for the purpose of making additions and betterments, the applicant increased its indebtedness to \$12,442.00, which amount it now asks to refund.

The testimony was conclusive and uncontroverted that the money derived from the notes which it is now desired to refund was used for additions and betterments, and no part of it in payment of operating

expenses. The inventory of the plant filed by the company shows the value of \$34,259.00.

No fund has ever been set aside for depreciation, but the officers of the company testified that the plant had been kept in excellent condition, and a statement of the inventory satisfies me that the plant is worth the amount claimed.

I believe that the application to refund the notes should be granted.

In addition to asking for authority to renew and extend the notes for one year, applicant asks permission to issue 6 per cent twenty-year bonds in the sum of \$25,000.00, to be sold at not less than 90 per cent of par value. It proposes to sell enough of these bonds to realize \$14,100.00, and with the proceeds therefrom to pay the note indebtedness above referred to, \$12,442.00, and to reimburse its treasury for moneys expended upon additions and betterments from income in the sum of \$1,656.43.

Ordinarily, where no depreciation account has been maintained, the Commission would demand that the treasury should be reimbursed in this sum from income, but considering the uncontroverted testimony that the plant has been kept in excellent condition from income and that the sum of \$1,656.43 has been expended for additions and betterments, I believe that the Commission should approve the payment of this sum from the proceeds of the sale of bonds.

Applicant has not yet submitted its form of trust deed to the Commission as, at the time the case was heard, it had not selected its trustee, but promises to make arrangements with some bank to act as trustee, and submit the form of trust deed at once.

I recommend that the application to renew the notes for one year and to authorize an issue of bonds in the sum of \$25,000.00, a sufficient amount of which is to be issued at once to realize \$14,100.00, the balance to be issued under a supplemental order, be granted, the order herein to become effective upon the approval by this Commission of the form of trust deed which applicant will file with the Commission.

I submit herewith the following form of order:

#### ORDER.

The Oceanside Electric and Gas Company having applied to this Commission for permission to renew certain notes for the period of one year, representing an indebtedness of \$12,442.00, and to issue bonds in the sum of \$25,000.00 to be sold at not less than 90 per cent of par, and a hearing having been regularly held, and testimony showing that the sum represented by aforesaid notes and an additional sum of \$1,656.43 have been expended by applicant for additions and betterments, and that no part of said sums were expended for purposes not proper to be capitalized,

*It is hereby ordered that the Oceanside Electric and Gas Company be and it is hereby authorized to renew the following notes for the period of one year :*

Bank of Oceanside, note dated February 8, 1911, on demand, interest at 8 per cent.....	\$2,500 00
First National Bank, Oceanside, note dated February 20, 1911, on demand, interest at 8 per cent.....	1,700 00
Farmers and Merchants' Bank, Long Beach, note dated March 1, 1913, on demand, interest at 7 per cent.....	5,000 00
Farmers and Merchants' Bank, Long Beach, note dated May 26, 1913, on demand, interest at 7 per cent.....	1,000 00
First National Bank, Oceanside, note dated June 17, 1913, six months, interest at 8 per cent.....	1,000 00
W. S. Hargreaves, Oceanside, note dated January 21, 1910, on demand, interest at 8 per cent.....	500 00
Smith, Booth, Usher, note dated June 10, 1913, six months, interest at 8 per cent.....	742 00
<b>Total .....</b>	<b>\$12,442 00</b>

And to issue its 6 per cent twenty-year bonds in the sum of \$25,000.00 and to sell a sufficient number of said bonds at not less than 90 per cent of their par value to net applicant \$14,100.00 with which to pay the aforesaid notes and to reimburse its treasury in the sum of \$1,656.43 expended for additions and betterments.

While permission is given to applicant at this time to create a bonded indebtedness of \$25,000.00, applicant is authorized by this permission to sell only enough of said bonds at not less than 90 per cent to net \$14,100.00.

Upon a proper showing to the Commission as to the necessity for selling more of such bonds, a supplemental order granting such permission will be issued.

The Oceanside Electric and Gas Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

This order not to become effective until applicant has filed with the Commission its form of trust deed and received the written approval of the Commission of such trust deed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of February, 1914.

---

DECISION No. 1280.

IN THE MATTER OF THE APPLICATION OF JAMES A. GUNN, JR., TO ISSUE A PROMISSORY NOTE AND TO MORTGAGE HIS HYDROELECTRIC AND IRRIGATION SYSTEMS IN LAKE COUNTY, CALIFORNIA.

---

Application No. 888.

*Decided February 17, 1914.*

---

Application of James A. Gunn, Jr., to issue a promissory note in the sum of \$8,000.00 and to mortgage his hydroelectric and irrigation systems in Lake County as security therefor, granted. Said note to net applicant its face value, proceeds to be used to refund a \$500.00 note now outstanding and the balance to cover \$5,000.00 already expended and \$2,500.00 to be expended in betterments and improvements to plant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application by James A. Gunn, Jr., for authority to issue a promissory note for \$8,000.00 and to mortgage his entire hydroelectric and irrigation systems in Lake County, California, as security for said note.

F. G. Gunn, a brother of applicant, has heretofore advanced to applicant sums of money aggregating \$5,000.00, all of which money has been expended by applicant in the development of his hydroelectric and irrigation systems. F. G. Gunn has undertaken to advance to applicant an additional \$3,000.00 which will make a total of \$8,000.00, for which applicant desires to issue a promissory note and to give a mortgage upon his property. The \$3,000.00 which applicant will now receive from F. G. Gunn are to be used in paying an indebtedness of \$500.00 which applicant owes to the Cloverdale Light and Power Company and the remainder is to be used in completing applicant's pumping plant and irrigation system in the vicinity of Kelseyville, California, and also in making minor extensions to the transmission lines of applicant's hydroelectric system in Lake County.

At the hearing upon this application, Mount Konocti Light and Power Company, represented by A. V. Joslin, appeared and stated that it would protest against the granting of this application if any of the money borrowed by applicant was to be used in extending applicant's hydroelectric system into territory now served by the Mount Konocti Light and Power Company.

Under Application No. 147, decided August 23, 1912, in which application the Mount Konocti Light and Power Company asked for a certificate of public convenience and necessity to construct a system for the transmission and distribution of electric energy in Lake County, California, it was held that such certificate was not necessary for the reason that the territory in which the company proposed to construct its electric system was not then occupied by any electric company.

Under Application No. 162, in which application James A. Gunn, Jr., of Kelseyville, Lake County, California, also applied for a certificate of public convenience and necessity to extend his lines from Kelseyville into the territory not then occupied by any electric company, the same decision was made and both of these parties were told that they had the right to extend into any unoccupied territory.

Since that time, the Mount Konocti Light and Power Company has extended a line through some portion of this territory and is now serving the public with electric energy, while James A. Gunn, Jr., applicant in Application No. 162, has confined his activities to the territory in and about Kelseyville.

The Commission is, therefore, of the opinion that James A. Gunn, Jr., having permitted about one year and six months to elapse since the decision in his former application was rendered, has not used due diligence in building his line into unoccupied territory and that, as the Mount Konocti Light and Power Company has built its line into and is serving some portions of what was then unoccupied territory, if James A. Gunn, Jr., hereafter desires to construct his line into territory now occupied by the Mount Konocti Light and Power Company, it will be necessary to secure a certificate of public convenience and necessity from this Commission before doing so.

I do not believe it will be necessary to make any provision in the order to take care of the protest of Mount Konocti Light and Power Company.

I submit herewith the following form of order:

#### ORDER.

James A. Gunn, Jr., having applied to this Commission for permission to issue a promissory note in the sum of \$8,000.00 and to mortgage his hydroelectric and irrigating systems in Lake County as security for

said note; and a public hearing having been held upon this application; and the Commission being of the opinion that the same should be granted; and that the purposes to which the proceeds derived from said note are to be applied are not, in whole or in part, reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that James A. Gunn, Jr., be and he hereby is authorized to issue a promissory note in the sum of \$8,000.00 upon the following conditions and not otherwise, to wit:

(1) Said note shall be issued so as to net applicant the face value thereof.

(2) Said note shall be issued at a rate of interest not to exceed 7 per cent and for a period not to exceed five years.

(3) The money derived from the issuance of said note shall be used for the following purposes only:

(a) Payment of principal and interest which will be due on a note of the face value of \$500.00 in favor of Cloverdale Light and Power Company carrying a rate of interest of 6 per cent per annum, due June 14, 1914.

(b) The promissory note herein authorized to be issued shall include a sum of \$5,000.00 which has already been advanced to applicant by F. G. Gunn and which has been expended by applicant in the construction of the hydroelectric system in Lake County.

(c) The remaining \$2,500.00 shall be used by applicant to complete his pumping plant and irrigation system in the neighborhood of Kelseyville, California, and in making minor extensions in the transmission lines of his hydroelectric system in Lake County, California.

(4) The authority herein granted applicant to issue promissory note shall become effective only after applicant shall have paid the fee prescribed in section 57 of the Public Utilities Act.

(5) James A. Gunn, Jr., shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds derived from the note herein authorized to be issued, and on or before the twenty-fifth day of each month he shall make verified reports to the Commission stating the manner in which the proceeds derived from said note have been expended, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

*It is further ordered* that James A. Gunn, Jr., be and he hereby is granted authority to mortgage to F. G. Gunn, to secure an indebtedness of \$8,000.00, represented by the promissory note herein authorized to be issued, his entire hydroelectric and irrigation systems in Lake

County, California, said mortgage to be executed substantially in accordance with the form of mortgage attached to the application in this proceeding and marked Exhibit "A."

The authority herein granted applicant to issue a promissory note and to mortgage his hydroelectric and irrigation systems shall be effective only if exercised on or before June 30, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of February, 1914.

---

DECISION NO. 1281.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR AUTHORITY UNDER SECTION SIXTY-THREE OF THE PUBLIC UTILITIES ACT TO INCREASE THE MINIMUM CARLOAD WEIGHT ON CANNED GOODS FROM THIRTY THOUSAND POUNDS TO FORTY THOUSAND POUNDS IN CONNECTION WITH THE RATE APPLICABLE THEREON FROM BAKERSFIELD TO SAN FRANCISCO, CALIFORNIA.

---

Application No. 870.

*Decided February 17, 1914.*

---

REPORT OF THE COMMISSION.

**ORDER OF DISMISSAL.**

Applicant in the above entitled matter having, on February 16, 1914, made written request to this Commission that the above entitled application be dismissed.

*It is hereby ordered* that the above entitled application be, and the same is, hereby dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 17th day of February, 1914.



## DECISION No. 1282.

IN THE MATTER OF THE APPLICATION OF J. W. BLOOM TO  
CONVEY A WATER DISTRIBUTING SYSTEM TO THE  
SUBURBAN WATER COMPANY AND OF THE SUBURBAN  
WATER COMPANY TO ACCEPT SUCH CONVEYANCE AND  
ISSUE STOCK THEREFOR.

Application No. 953.

*Decided February 17, 1914.*

J. W. Bloom authorized to transfer to the Suburban Water Company a certain water distributing system situated partly in the city and county of San Francisco and partly in San Mateo County, and the Suburban Water Company is authorized to issue to J. W. Bloom \$30,000.00 par value of its stock in consideration therefor.

*Max Kuhl*, of Brittain & Kuhl, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application of J. W. Bloom to sell to the Suburban Water Company, and of that company to purchase from said J. W. Bloom, a certain water distributing system located partly in the city and county of San Francisco and partly in the county of San Mateo, State of California, the real property comprehended in said water system being described as follows:

Lots 6, 7 and 8 in block 8; and lot 2 in block 1 of Ocean View Park, a subdivision of the city and county of San Francisco, State of California, as per map or plat of the same recorded in the office of the county recorder of the city and county of San Francisco, State of California, on the 20th day of July, 1908.

Lots 40, 41 and 42 in block "S" of the Mission Street Land Company, as per map of the same filed in the office of the county recorder of the city and county of San Francisco, State of California, on the 26th day of July, 1895, in Book No. 1, pages 195, 196.

All that certain lot of land situate in the city of Daly City, county of San Mateo, State of California, described as follows, to wit:

Beginning at the northwest corner of lot 1 in block 2 of Hillcrest, as per map thereof recorded in the county recorder's office of said San Mateo County; thence north  $37^{\circ} 16\frac{1}{2}'$  west twenty (20) feet to the lands of the Spring Valley Water Company; thence south  $52^{\circ} 43\frac{1}{4}'$  west along the easterly line of the lands of the Spring Valley Water Company one hundred (100) feet; thence south  $37^{\circ} 16\frac{1}{2}'$  east twenty (20) feet more or less to the southwest corner of said lot 1; thence northerly along the westerly line of said lot 1 one hundred (100) feet to the place of beginning. Together with the water tank thereon constructed and all the water pipes laid in that certain tract known as "Hillcrest" situate, lying and

being partly within the city and county of San Francisco, State of California, and partly within the county of San Mateo, State of California, according to a map of said tract indicating pipe lines laid therein, and which is annexed to and made a part of that certain deed dated June 17, 1910, wherein the Central Trust Company of California et al. are the grantors and the Obeir Investment Company is the grantee.

That certain water pumping, developing and distributing system commonly known as "Ocean View Park Water Company," or "Hillcrest & Daly City Water Company," or "J. W. Bloom Water Company," the same being situate partly in Daly City, county of San Mateo, State of California, and partly in that portion of the city and county of San Francisco, State of California, commonly known as "Hillcrest" and also in that portion of said city and county of San Francisco, State of California, commonly known as "Ocean View Park"; the same including pumping stations, reservoirs, tanks, equipment, machinery, water rights, pipe lines and everything in anywise belonging or appertaining to said water pumping, developing and distributing system; the said distributing system running generally along those streets in said Daly City, county of San Mateo, State of California, known as Railroad avenue, Merced avenue, Hillcrest Drive, San Juan avenue, San Gabriel avenue, San Diego avenue, Guadaloupe street, San Carlos avenue, Santa Barbara avenue, Santa Ana avenue, Mission Circle avenue, Shakespeare street, Old San Jose avenue, Mission Road, Beppler street, Florence street or Head street, Prim street, and Rhine street; and those streets in said city and county of San Francisco, State of California, known as Chester avenue, Worcester avenue, Randolph street, St. Charles avenue, Park Way, Palmetto avenue, Santa Cruz avenue, Bell avenue, Shiller street, San Luis avenue, Merced avenue, San Diego avenue, San Carlos avenue, Santa Barbara avenue, Railroad avenue, Florence street or Head street, Prim street, and Rhine street, said conveyance including the good will thereof, pipes, easements, franchises, privileges and everything in anywise appertaining to said distributing system.

The Suburban Water Company asks permission to issue stock to J. W. Bloom in payment for this water system.

Applicant alleges that the value of the real property above described, which is used in connection with and constitutes a part of the distributing system and is necessary thereto, is approximately \$15,450.00; that, with the installation of said water distributing system, consisting of wells, pipes, tanks, machinery, etc., the total value of the property is \$49,739.13.

An inventory of the property is attached to the application and also a statement of liabilities showing, after deducting liabilities, that the net value of said water distributing system, including real property and installation, according to applicant's estimate, is \$47,722.13.

The Suburban Water Company is a corporation duly organized and existing under the laws of the State of California with a capitalization

of \$50,000.00 divided into 50,000 shares of the par value of \$1.00 each; that the object sought by the incorporation of this company is to separate the properties of applicant, J. W. Bloom, not used or necessary to the use of said water distributing system from the property used for and necessary to such system.

The application further shows that no stock of said Suburban Water Company has, as yet, been distributed, save and except that subscribed for by the original subscribers who were to become directors, and that there are at present 49,997 shares of the capital stock of the par value of \$1.00 each in the treasury of said company. An item included in the valuation of this property furnished by applicant is \$10,000.00 for water rights, such water rights consisting of a well 180 feet in depth which applicant claims is capable of serving a very large amount of water ample for the present or future requirements of the system.

Applicant, J. W. Bloom, further alleges that he expended in actual expenses in incorporating said Suburban Water Company the sum of \$73.00.

Copy of the articles of incorporation of the said Suburban Water Company was filed with the application.

Applicant prays that the transfer of this water distributing system from J. W. Bloom to the Suburban Water Company be approved, and that the Suburban Water Company be given authority to issue 47,795 shares of the capital stock of said company to said J. W. Bloom, 47,722 shares being what is claimed to be the net value of said water distributing plant, and 73 shares to reimburse said J. W. Bloom for the expense of incorporating said Suburban Water Company.

The applicant, J. W. Bloom, admitted in testimony that he was not satisfied with the rates he was now getting and that the Suburban Water Company would apply for an adjustment of its rates, and that he expected the valuation above given would be the basis of such an application for an increase in rates.

The Commission can not see its way clear to accept such valuation. The hydraulic engineer for the Railroad Commission had made a careful study and analysis of this situation and valuation of the property involved, such valuation practically agreeing with the valuation by applicant, except as to the cost of pipe and trenching or installing same and the water right above mentioned.

Applicant claimed that the installation consisted of No. 2 galvanized pipe, No. 3 standard screw pipe and No. 4 outside diameter pipe and that a fair average cost for digging the trenches and laying the pipe would be forty cents per linear foot.

The testimony of the engineer of the Commission showed, from his examination of the maps showing location and description of mains, that there were 31,500 linear feet of No. 2 galvanized pipe, 2,250 feet of

No. 3 standard screw pipe and 1,080 linear feet of No. 4 outside diameter pipe. He testified that, allowing \$1.00 per cubic yard for digging the trench, said trench to be eighteen inches wide and twenty-eight inches deep, and allowing for haulage at \$1.00 per ton mile, the following table would show the cost of the pipe laid:

Size	Average cost drilled in San Francisco	Hauling	Trenching	Laying	Miscellaneous	Total per foot
2-inch galvanized.....	\$0.124	\$0.005	\$0.13	\$0.005	\$0.006	\$0.27
3-inch standard screw...	0.230	0.010	0.13	0.007	0.008	0.385
4-inch outside diameter..	0.210	0.015	0.13	0.010	0.015	0.38

The total cost of installing the pipe, therefore, is:

31,500 feet at \$0.270.....	\$8,505 00
2,250 feet at \$0.385.....	866 25
1,080 feet at \$0.380.....	410 40
	<hr/>
	\$9,781 65
Fittings at 7 per cent.....	684 71
	<hr/>
Total for pipe system.....	\$10,466 36

The testimony of the engineer further showed that no allowance has been made for overhead charges during construction, nor has any deduction been made for depreciation, and he estimates that these two items will about balance each other. His estimate, however, puts no value on water rights.

The question as to whether water rights in their various forms may be capitalized by including such value in a valuation upon which returns from rates are expected has never been before this Commission in such a manner as to require adjudication. It may be that the Commission has at times approved the value of water-bearing lands at a higher price than adjoining lands which were not water bearing, but such approval was justified by the particular facts of each case and no principle was established.

We do not believe the matter is before us in this application in such a manner as to require passing upon it. No testimony was offered in support of the value placed upon the water right and as applicant, J. W. Bloom, owns the property and all of the stock of the water company to which he proposes to transfer the water system, we do not believe that, without testimony justifying this charge, it should be considered.

In certain very important cases now pending before this Commission, we are preparing to examine with great thoroughness the entire question of the valuation to be placed upon water rights of various kinds for rate fixing and capitalization purposes. If the conclusion which we reach in those cases would entitle the applicant in this case to capitalize

the water right connected with his well, we shall hereafter be glad to entertain an application for an additional authorization of stock.

The engineer's estimate also differs from the estimate of the engineer for the water company as to the cost of pipe and installation, as will be seen by the table and figures above quoted. His total estimate of the value of the plant is a little under \$30,000.00, as opposed to the valuation submitted by applicant of something over \$49,000.00.

I recommend that the transfer of this water distributing system from J. W. Bloom to the Suburban Water Company be approved and that the Suburban Water Company be authorized to issue 30,000 shares of its capital stock, of the par value of \$1.00 per share, to said J. W. Bloom in payment for said water distributing system and to reimburse said J. W. Bloom for the \$73.00 expended in incorporating said Suburban Water Company.

I recommend the following order:

**ORDER.**

J. W. Bloom, owner of a water distributing system situated partly in the city and county of San Francisco and partly in San Mateo County, both in the State of California, having applied to this Commission for permission to sell said water distributing system to the Suburban Water Company, and the Suburban Water Company having applied for permission to purchase said system and to issue its capital stock in payment therefor; and the hydraulic engineer of the Commission having made a careful study and analysis of the situation and the valuation of the property involved,

*It is hereby ordered* that J. W. Bloom be, and he is hereby, given permission to sell said water distributing system to the Suburban Water Company; and that the Suburban Water Company be and it is hereby given permission to purchase said water distributing system and to issue to said J. W. Bloom 30,000 shares of its capital stock of the par value of \$1.00 each in payment therefor, and also in payment of \$73.00 expended by said J. W. Bloom in incorporating said Suburban Water Company.

*It is further ordered* that for the 30,000 shares of the capital stock of the Suburban Water Company, J. W. Bloom shall discharge all obligations now existing against said water system, and convey said system to said Suburban Water Company free and clear of all encumbrances.

*It is further ordered* that the price herein authorized as the price to be paid for this property shall not be binding upon the Railroad Commission of the State of California or any other regulatory body in fixing prices for the services of said water company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of February, 1914.

## DECISION No. 1283.

THOMAS MONAHAN, AS MAYOR OF THE CITY OF SAN JOSE,

vs.

PACIFIC GAS AND ELECTRIC COMPANY.

Case No. 477.

*Decided February 17, 1914.*

Motion of defendant to dismiss complaint on the grounds that said complaint was brought in the name of the mayor instead of the city of San Jose, and alleging that said complaint did not establish a prima facie case, denied.

*John W. Sullivan, for Complainant.**Charles P. Cullen, for Defendant.*

## REPORT OF THE COMMISSION.

## OPINION ON MOTION TO DISMISS.

*THELEN, Commissioner.*

On February 16, 1914, the complainant in the above entitled case presented his evidence at a public hearing held in the city of San Jose. At the conclusion of the evidence defendant moved to dismiss the complaint on the grounds (1) that the complaint was brought by "Thomas Monahan, as Mayor of the City of San Jose," instead of being brought by the City of San Jose, and (2) that the complainant did not establish a prima facie case.

Section 60 of the Public Utilities Act provides in part that complaint may be made by the Commission of its own motion, or by any corporation or person, chamber of commerce, board of trade, or any civic, commercial, mercantile, traffic, agricultural or manufacturing association or organization, or any body politic or municipal corporation, by petition or complaint in writing, setting forth the acts or omissions claimed to be in violation of any provision of law or of any order or rule of the Commission. Then follows a proviso to the effect that "no complaint shall be entertained by the Commission, except upon its own motion, as to the reasonableness of any rates or charges of any gas, electrical, water or telephone corporation, unless the same be signed by the mayor or the president or chairman of the board of trustees or a majority of the council, commission, or other legislative body of the city and county, or city or town, if any, within which the alleged violation occurred, or not less than twenty-five consumers or purchasers or pros-

pective purchasers or consumers, of such gas, electricity, water or telephone service."

In this case the complaint is signed by Thomas Monahan as mayor of the city of San Jose. No point is made that he was not authorized to file the complaint. With reference to every question involved in this proceeding, other than the reasonableness of the rates, he is clearly authorized to bring the proceeding in his own name as an individual. With reference to the reasonableness of the rates, the complaint substantially complies with the provisions of section 60 of the Public Utilities Act. The motion to dismiss on this ground must accordingly be denied.

Referring now to the point that the complainant did not present a prima facie case, it is clear that such case was presented on the issue of the failure of the defendant to make extensions and on the issue of discrimination with reference to requiring deposits. On the issue of the rates, the only evidence presented by complainant consisted of a statement of the existing rates and of the opinion of the mayor that these rates are unjust and unreasonable. No material evidence was given in support of this opinion. While it is true that this evidence does not constitute a prima facie case of unreasonableness of the rates, it is likewise true that on the other issues the complainant did present a prima facie case. As the motion was to dismiss the entire complaint, and as a prima facie case was presented with reference to certain issues presented by the complaint, the motion must be denied.

Under the investigation into the rates, service and extensions of the entire San Jose district of the Pacific Gas and Electric Company, which investigation the Commission is instituting on its own initiative, and the hearing wherein will be held at the same time and place as the adjourned hearing in the present proceeding, all the matters referred to in the complaint in this proceeding may be fully considered.

I submit herewith the following form of order:

**ORDER.**

*It is hereby ordered* that defendant's motion to dismiss the complaint in the above entitled proceeding be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of February, 1914.

## DECISION No. 1284.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO ELECTRIC RAILWAY COMPANY AND POINT LOMA RAILROAD COMPANY FOR AN ORDER AUTHORIZING A REDUCTION IN SERVICE.

Application No. 910.

*Decided February 17, 1914.*

Application of San Diego Electric Railway Company and Point Loma Railroad Company for a vacation of the Commission's order in Case No. 402, requiring said companies to maintain a twenty-minute schedule between San Diego and Point Loma and Ocean Park, denied.

*Read G. Dilworth, for Applicants.*

*John Niren and W. R. Cushman, for Protestants.*

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

On July 10, 1913, this Commission made its order in Case No. 402, directing the petitioners in this proceeding to establish a twenty-minute service on their lines of street railway between the business center of San Diego as one terminus and Point Loma and Ocean Beach as the other terminus. The Commission's order was founded in part on the admission of the general manager of these petitioners that such service would probably be necessary, and in part on account of passengers carried, which count was introduced at the hearing and clearly showed the necessity for the order as made.

The increased travel which occurred just prior to the Commission's said order of July 10, 1913, was due in large measure to the construction and operation of an amusement park at Ocean Beach known as Wonderland Park. It appears that this park closed its doors in November, 1913, and that it has not been reopened, though its manager testified that he expected to reopen within a few months.

Petitioners now ask that the order heretofore issued in Case No. 402 be rescinded and that they be permitted to establish such service, whether twenty-minute or forty-minute or otherwise as they may deem necessary. In support of their petition, they filed at the hearing counts of the travel on each car between the termini affected during the months of October, November and December, 1913, January, 1914, and the first four days in February, 1914, which counts show a very considerable falling off in travel from that which was shown to the Commission in July, 1913.

The request that petitioners be authorized to do as they please with reference to the service complained of can not be granted. On the other



hand, this Commission can not stand watch over such situations, day by day, unless the number of its employees be increased far above the present number. At the hearing the Commission drew attention to the fact that the solution of such problems must be found somewhere between these two extremes and that if the Commission should in this case prescribe such minimum requirements of service as are clearly required by the evidence, the matter of putting on additional service when the traffic again increases must be left in the first instance to the carriers. In this case I believe that if the Commission establishes such minimum twenty-minute service as the evidence clearly justifies, the matter of increasing forty-minute service to twenty-minute service during other portions of the day, as the necessity therefor arises, may be left to the carriers' own sense of duty to the public. As it becomes necessary, from time to time, to increase the period of twenty-minute service, the carriers will be expected to put on such additional service without further order from this Commission.

The two witnesses called by protestants at the hearing admitted frankly that it would not be fair to compel the petitioners herein to give the people of Point Loma and Ocean Beach a better and more expensive service than the travel reasonably justifies. The expense of such excess service, in that event, would have to be borne either by the carriers or by their patrons on other portions of their systems—neither of which alternative would be just or reasonable.

With a view to determining the portions of the day in which a twenty-minute service should be retained as a minimum requirement for the petitioners, the counts presented by petitioners have been carefully analysed. They show that on certain trips early in the morning no passengers have been carried. On a large number of trips, less than ten passengers were carried. This condition is particularly prevalent after 7 o'clock in the evening. On other trips, even during the first four days of February, passengers have been carried in excess of the seating capacity of a car, which is about fifty-six passengers.

In determining during what hours a twenty-minute service must be retained, a difference must be made between Sundays and the week days. A careful analysis of the actual travel shows that week-day travel moving outbound from San Diego requires a twenty-minute service from 6.40 a. m. to 8 a. m. and again from 4 p. m. to about 6.20 p. m. Inbound week-day travel requires a twenty-minute service, under existing conditions, from 7 a. m. to 8.20 a. m. and from 3.20 p. m. to 5.20 p. m. I find that, taking the outbound and inbound week-day travel together, the petitioners should be directed to operate their cars on a twenty-minute schedule up to 8 a. m. and again from 4 p. m. to 7 p. m., and that during the remaining portion of the day they may operate on a

forty-minute schedule until increasing traffic shall necessitate shorter schedules.

With reference to Sunday traffic, twenty-minute service is not now necessary during the early morning hours. Outbound travel requires a twenty-minute service from 8.40 a. m. to 4 p. m. and inbound business from about 3 p. m. to possibly 7.20 p. m. Petitioners should accordingly retain twenty-minute service on Sundays from 8.40 a. m. to 7.20 p. m., but may resume forty-minute service during the remaining portions of the day until increasing traffic requires a restoration of twenty-minute service.

It must be clearly understood that in authorizing the carriers to resume in part their former forty-minute service, the Commission particularly draws the attention of the carriers to the necessity of having sufficient equipment during all portions of the day, both during forty-minute and twenty-minute service. Proper study should continue to be given to the movement of the traffic so that the necessity of putting on additional service may be provided against in advance, in so far as possible.

I trust that the disposition herein made of this troublesome matter may work out satisfactorily to all concerned. The Commission will not itself make a time-table for the carriers, but will direct them, within a designated time, to prepare and submit for the Commission's approval a time-table based as nearly as possible on the views hereinbefore expressed.

I submit herewith the following form of order:

#### ORDER.

The petitioners in the above entitled proceeding having filed their petition for a vacation of the order made by this Commission in Case No. 402, *Niven vs. San Diego Electric Railway Company et al.*, on July 10, 1913, and a public hearing having been held on said application.

*It is hereby ordered* that said application be and the same is hereby denied, but that petitioners may, within twenty (20) days from the date of service of this order, prepare and present to this Commission for its approval, a revised time-table providing as nearly as possible for a twenty-minute service during the hours referred to in the opinion which precedes this order, and providing, until increasing traffic requires a more frequent service, for a resumption of forty-minute service during the remaining portions of the day. The Commission will thereupon pass upon said revised time-table.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of February, 1914.

Decisions Nos. 1285 and 1286, grade crossings: not printed. See end of volume.

DECISION No. 1287.

IN THE MATTER OF THE APPLICATION OF GLENWOOD  
LAND COMPANY FOR AUTHORITY TO MORTGAGE  
PROPERTY.

Application No. 940.

*Decided February 17, 1914.*

Applicant authorized to issue two promissory notes aggregating \$2,060.00; as the proceeds of said notes are not to be used for public utility purposes, no account need be made to the Commission.

W. W. Butler, for Applicant.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Glenwood Land Company for an order authorizing it to issue two promissory notes, one for \$2,000.00 and one for \$60.00 and to mortgage its property as security therefor.

Applicant is not engaged in any public utility business but comes within the jurisdiction of this Commission as to the issuance of securities or stocks by reason of the powers set out in its articles of incorporation, which powers enumerate public utility functions.

The land proposed to be mortgaged is not now, nor will it hereafter be, used for any public utility purpose. Therefore, no authorization by this Commission is necessary to permit applicant to mortgage or encumber the same.

The money to be derived from the issuance of the promissory notes herein asked to be authorized will not be used for any public utility purposes. I recommend that applicant be authorized to issue two promissory notes, to be dated December 27, 1913, and to fall due January 1, 1917, for the sums of \$2,000.00 and \$60.00, respectively, to bear interest at the rate of 9 per cent per annum with a rebate of 3 per cent, and submit herewith the following form of order:

ORDER.

Application having been made by Glenwood Land Company for an order authorizing the issuance of two promissory notes, one for \$2,000.00 and one for \$60.00 said notes to be dated December 27, 1913, and to fall due January 1, 1917, and to bear interest at the rate of 9 per cent per annum with a rebate of 3 per cent, for an order authorizing said company to mortgage certain of its real property to secure the payment of said notes; and a public hearing having been had, and it appearing to the Commission that the Glenwood Land Company is not

now engaged in any public utility business and that the property proposed to be mortgaged is not now nor will hereafter be used in any public utility service, and it further appearing that the proceeds from the issuance of the promissory notes herein asked to be authorized are not to be used for any public utility purposes,

*It is hereby ordered* by the Railroad Commission of the State of California that Glenwood Land Company is hereby authorized to issue two certain promissory notes, one in the principal sum of \$2,000.00, the other in the principal sum of \$60.00, both of said notes to be dated December 27, 1913, and to fall due January 1, 1917, and to bear interest at the rate of 9 per cent per annum with a rebate of 3 per cent.

No accounts need be made to this Commission of the proceeds from the issuance of said promissory notes, unless such proceeds, or any part thereof, are used for a public utility purpose.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of February, 1914.

---

DECISION No. 1288.

IN THE MATTER OF THE APPLICATION OF CENTRAL CALIFORNIA GAS COMPANY FOR AUTHORITY TO ISSUE BONDS OF THE FACE VALUE OF TWENTY-FIVE THOUSAND DOLLARS, COMMON STOCK OF THE PAR VALUE OF TWELVE THOUSAND FIVE HUNDRED DOLLARS AND PREFERRED STOCK OF THE PAR VALUE OF ONE THOUSAND THREE HUNDRED DOLLARS.

---

Application No. 886.

*Decided February 17, 1914.*

---

Applicant authorized to issue bonds of the face value of \$12,000.00 preferred stock of the par value of \$1,300.00 and common stock of the par value of \$12,500.00, proceeds to be used in payment of certain promissory notes now outstanding. Applicant to be permitted to issue the balance of bonds requested, amounting to \$13,000.00, when net earnings are sufficient to meet the requirements of its trust deed.

*C. S. S. Forney*, for Applicant. .

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for authority to issue bonds of the face value of \$25,000.00, common stock of the par value of \$12,500.00 and pre-

ferred stock of the par value of \$1,300.00, to pay obligations incurred for expenditures made for the acquisition of property and the construction, completion, extension and improvement of applicant's facilities from December 1, 1912, to January 5, 1914.

During the year from December 1, 1912, to November 30, 1913, applicant claims to have made additions to its capital account as follows:

Name of Account.	Amount.
Accessory equipment at works.....	\$12,950 68
Boosting apparatus and regulators.....	2,925 65
Distribution mains .....	6,829 76
Exeter distributing system.....	13,000 00
Furnaces, boilers and accessories.....	2,495 76
Gas meters .....	4,001 57
Gas regulators .....	636 85
Gas services .....	7,324 85
General equipment .....	4,284 62
Gas plant, buildings and general structures.....	922 93
Gas generators .....	10,029 20
Lindsay distributing system.....	18,485 00
Miscellaneous production equipment.....	994 92
Municipal street lighting fixtures.....	443 20
Purification apparatus .....	500 00
Steam engine .....	9 50
Visalia-Porterville transmission main .....	75,000 00
Trunk lines and mains .....	1,980 00
Total .....	\$162,814 49

In its supplemental petition, filed January 8, 1914, applicant sets forth that during the month of December, 1913, it added to capital the additional sum of \$3,493.11, thus making a total of \$166,307.60 expended for capital purposes between December 1, 1912 and January 5, 1914. During the same period, applicant realized from the sale of preferred stock and bonds authorized by this Commission the sum of \$132,500.00. The remaining sum of \$33,807.60 is represented by the following obligations:

Promissory note, payable to International Savings and Exchange Bank of Los Angeles, dated August 6, 1913, payable one day after date, interest 6 per cent, amount.....	\$6,000 00
Promissory note, payable to Baker Iron Works, dated November 24, 1913, payable ninety days after date, interest 6 per cent after maturity, amount .....	3,207 83
Promissory note, payable to Anglo-California Trust Company of San Francisco, dated December 19, 1913, payable ninety days after date, interest 6 per cent, amount.....	5,000 00
Promissory note, payable to W. F. Boardman, dated December 19, 1913, payable one day after date, interest 6 per cent, amount..	5,000 00
Accounts payable .....	13,599 77
Total .....	\$32,807 60

To pay these obligations, applicant now asks authority to issue bonds and preferred and common stock.

Applicant now has outstanding first mortgage twenty-year 6 per cent gold bonds of the face value of \$250,000.00. Applicant's deed of trust or mortgage provides that bonds may be issued up to not to exceed 75 per cent of the actual cash value of improvements and also that bonds may be certified by the trustee only when the company's net earnings have been for twelve months at least twice the interest on the bonds outstanding, as well as the bonds which it is desired to issue.

A financial statement filed by applicant in this proceeding shows that for the year ending January 31, 1914, applicant's gross revenue, operating expenses and net earnings have been as follows:

Gross earnings .....	\$66,996 85
Operating expenses, maintenance, taxes.....	35,471 00
Net earnings (before payment of interest and sinking fund) --	31,525 85

This sum of \$31,525.85 is twice the annual interest, at 6 per cent, on \$262,715.40, which amount of bonds can alone be issued at the present time under the foregoing provision with reference to net earnings. As bonds of the face value of \$250,000.00 have already been issued, applicant can now issue additional bonds only of the face value of \$12,000.00. When applicant's earnings have increased sufficiently, applicant may file a supplemental petition in this proceeding asking authority to issue the remaining \$13,000.00 of bonds now asked for. Applicant expects to be able to sell its bonds at 90 per cent of their face value plus accrued interest.

Applicant asks authority also to sell 125 shares of common stock at 80 per cent of their par value and 13 shares of preferred stock at 96 per cent of their par value, to realize the total sum of \$11,248.00. Applicant states its belief that it will be able to secure for this stock the amounts specified. If issued, applicant will have outstanding a total of \$200,000.00 in preferred stock and \$62,500.00 in common stock.

I find that the purposes for which the proceeds of the stock and bonds hereinafter authorized to be issued are to be used are not reasonably chargeable to operating expenses or to income and recommend that the application be granted as modified in the order.

I submit herewith the following form of order:

#### ORDER.

Central California Gas Company having applied to the Railroad Commission for an order authorizing the issue by said company of bonds of the face value of \$25,000.00, said bonds to be payable on the first day of July, 1932, and to bear interest at the rate of 6 per cent per annum, payable semiannually, and secured by deed of trust or mortgage upon all the property of the company, and also of preferred stock of the par value of \$1,300.00 and common stock of the par value of \$12,500.00, and a public hearing having been held upon said application and the Commission finding that the purposes for which the proceeds from the

issue of said stock and bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the Railroad Commission hereby authorizes the issue by Central California Gas Company of \$12,000.00 face value of principal of bonds of said company, maturing the first day of July, 1932, bearing interest at 6 per cent per annum, payable semiannually, under and in pursuance of the terms of the trust deed or mortgage heretofore and on the first day of July, 1912, made and executed by said Central California Gas Company to Los Angeles Trust and Savings Bank, as trustee, said bonds to bear the numbers 251 to 262, inclusive, and also its preferred stock of the par value of \$1,300.00 and its common stock of the par value of \$12,500.00, upon the conditions following and not otherwise, to wit:

1. Central California Gas Company shall sell said bonds so as to net said company in cash not less than 90 per cent of their face value plus accrued interest, said preferred stock so as to net in cash not less than 96 per cent of its par value and said common stock so as to net in cash not less than 80 per cent of its par value.

2. Central California Gas Company shall apply the proceeds from the sale of said stock and bonds only to the purpose of paying the following promissory notes and accounts payable:

Promissory note, payable to International Savings and Exchange Bank of Los Angeles, dated August 6, 1913, payable one day after date, interest 6 per cent, amount-----	\$6,000 00
Promissory note, payable to Baker Iron Works, dated November 24, 1913, payable ninety days after date, interest 6 per cent after maturity, amount -----	3,207 83
Promissory note, payable to Anglo-California Trust Company of San Francisco, dated December 19, 1913, payable ninety days after date, interest 6 per cent, amount-----	5,000 00
Promissory note, payable to W. F. Boardman, dated December 19, 1913, payable one day after date, interest 6 per cent, amount--	5,000 00
Accounts payable -----	13,599 77
Total -----	\$32,807 60

3. Central California Gas Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the stock and bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission, stating the sale or sales of said stock and bonds during the previous month, the terms and conditions of sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with the provisions of General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority hereby given to issue stock and bonds shall apply only to stock and bonds issued by applicant on or before July 1, 1914.

5. This order, in so far as it authorizes the issue of bonds, shall not become effective until the fee specified in section 57, as amended, of the Public Utilities Act, has been paid.

*It is further ordered* that when applicant can show the necessary net income with reference to the remaining \$13,000.00 face value of bonds herein applied for but not now authorized, applicant may file a supplemental petition in this proceeding requesting authority to issue said additional bonds.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of February, 1914.

DECISION No. 1289.

IN THE MATTER OF THE APPLICATION OF STOCKTON  
TERMINAL AND EASTERN RAILROAD COMPANY FOR  
AN ORDER AUTHORIZING AN ISSUE OF BONDS OF THE  
FACE VALUE OF THREE HUNDRED AND SEVENTY-  
EIGHT THOUSAND EIGHT HUNDRED DOLLARS.

Application No. 336.

*Decided February 19, 1914.*

REPORT OF THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas the order entered in the above entitled proceeding on March 20, 1913, provides in part for the issue by applicant of bonds of the face value of \$90,000.00, for the purpose of extending applicant's line of railroad from its present terminus in Stockton to the Stockton Channel, including the construction of certain trestles on Miner Channel, at a cost not to exceed \$35,100.00; and

Whereas it now appears that by Resolution No. 361, the city council of Stockton has accepted the abandonment by Stockton Terminal and Eastern Railroad Company of a portion of its franchise route in the city of Stockton, including the route across Miner Channel over said trestles and that said Stockton Terminal and Eastern Railroad Company is now making application to the city of Stockton for a franchise on Miner avenue from Union street to American street and across McLeod's Lake, at the intersection of Center street with Miner avenue; and



Whereas Stockton Terminal and Eastern Railroad Company has now filed its supplemental application asking authority to issue bonds of the face value of \$2,500.00 of the bonds heretofore authorized to be issued for the construction of said trestles, said bonds to be sold so as to net applicant not less than \$2,000.00, which sum is to be deposited with the city of Stockton pending the award of said franchise, as required by subdivision 4 of section 125 of the city charter of Stockton, or, as an alternative, to pledge bonds heretofore authorized to be issued for the purpose of constructing said trestles, in an amount not to exceed the face value of \$4,000.00, to secure short term loans or as security to bondsmen for giving a bond to the city of Stockton guaranteeing to the city that applicant will well and truly observe and faithfully perform each and every term and condition of such franchise, as provided in said charter of the city of Stockton; and

Whereas it appears that said application should be granted,

*It is hereby ordered* that said application be and the same is hereby granted. In all other respects this Commission's said order dated March 20, 1913, as modified by supplemental order dated November 5, 1913, shall remain in full force and effect.

Dated at San Francisco, California, this 19th day of February, 1914.

---

DECISION No. 1290.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC  
FREIGHT TARIFF BUREAU, F. W. GOMPH, AGENT, FOR  
AN ORDER GRANTING PERMISSION TO CHANGE CER-  
TAIN ITEMS IN BUREAU EXCEPTION SHEET No. 1-c.  
C. R. C. No. 70.

---

Application No. 931.

*Decided February 19, 1914.*

---

Application of the Pacific Freight Tariff Bureau for authorization to change the classification on oil barrels and drums, effecting a slight increase in less-carload shipments and a decrease in carload shipments, **granted.**

*F. W. Gomph*, for The Pacific Freight Tariff Bureau.

*G. D. Squires*, for Southern Pacific Company.

*E. W. Camp*, for The Atchison, Topeka and Santa Fe Railway Company (Coast Lines).

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application under section 63 of the Public Utilities Act, by carriers parties to Pacific Freight Tariff Bureau Exception Sheet No. 1-c, C. R. C. 70, for an order granting authority to change the classification of oil barrels or drums.

The exception sheet now provides in Item No. 29-1:

*Carriers, new or old, viz:*

Iron oil drums, minimum carload weight 16,000 pounds, subject to Rule 6-n of current Western Classification—

Less-carload -----First Class

Carload -----Class "B"

It is proposed to change the item to read as follows:

*Carriers, new or old, not otherwise indexed by name, viz:*

Oil barrels, or drums, iron or steel, and glycerine barrels or drums, iron or steel, minimum carload weight 16,000 pounds, subject to Rule 6-n of current Western Classification—

Less-carload -----First Class

Carload -----Class "B"

Prior to June 30, 1913, Western Classification No. 51, C. R. C. 75, provided for drums, not otherwise indexed by name, third class less-carloads, and Class "A," minimum 24,000 pounds, for carloads. On June 30, 1913, Item 358 in Supplement 4 was published and provided special ratings for oil drums of first class, less-carloads, and Class "B," minimum 16,000 pounds, for carloads. The increase in less-carload rating, not having been authorized, was unlawful and original third class rating was restored by the publication of Item 29-1, referred to above.

The application alleges that an iron oil drum and an iron oil barrel are one and the same thing, the trade using the names interchangeably, also that it is a discrimination to apply third class on an iron oil drum, which is sometimes called a barrel, and, at the same time, assess upon a wooden barrel or an iron oil barrel first class, with which the drum competes. The weight of an oil drum, an iron oil barrel, and a wooden barrel are substantially the same.

Testimony of witnesses was to the effect that practically no new drums are moved locally within the State of California; that the drums and barrels actually transported are returning carriers, 15 per cent of the class rate applying to the new package. The proposed change, therefore, is only an advance from 15 per cent of third class to 15 per cent of first class for less-carload shipments and from 15 per cent of Class "A" with a minimum of 24,000 pounds to 15 per cent of

Class "B" with a minimum of 16,000 pounds for carloads. The new carload rate is, therefore, a reduction.

It is apparent to me that no injury can be done by granting this application, for the increases against less-carload shipments are nominal, while the decreases in carload charges are quite substantial. The change also has merit in that it removes the ambiguity now existing in the description of the articles and eliminates the discrimination between the iron drum and the iron or wooden barrel. Uniformity is desired, and this change will give the articles in question practically the ratings now provided in the Western Classification.

The Commission received an informal protest from one interested shipper, but, notwithstanding the fact that direct notice of the hearing was given to this firm and other dealers, no one appeared at the hearing to protest against the change.

I recommend the following order:

**ORDER.**

The carriers parties to Pacific Freight Tariff Bureau Exception Sheet No. 1-c, C. R. C. 70, having filed an application to publish in said exception sheet the following item:

*Carriers, new or old, not otherwise indexed by name, viz:*

Oil barrels or drums, iron or steel, and glycerine barrels or drums, iron or steel, minimum carload weight 16,000 pounds, subject to Rule 6a of Western Classification—

Less-carload -----	First Class
Carload -----	Class "B"

And a regular hearing having been held,

*It is hereby ordered* that the carriers parties to Pacific Freight Tariff Bureau Exception Sheet No. 1-c, C. R. C. 70, are hereby authorized to make change in classification as outlined above.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of February, 1914.

## DECISION No. 1291.

EDGAR L. STEWART

vs.

GREAT WESTERN POWER COMPANY.

Case No. 479.

*Decided February 19, 1914.*

Application of defendant for a rehearing in the above entitled matter denied.  
Additional provision made directing defendant to serve complainant over the line of the Solano Irrigated Farms Company under present conditions only so long as no extra charge is made for the use of said line.

## REPORT OF THE COMMISSION.

## OPINION ON APPLICATION FOR REHEARING.

THELEN, *Commissioner*.

The defendant has filed herein an application for a rehearing on this Commission's order rendered on December 27, 1913. In its said order the Commission specified two alternative methods by which complainant might secure electric energy from the defendant.

With one exception, defendant's grounds for a rehearing all apply exclusively to the first alternative. Complainant has now filed with this Commission his election, as required by the Commission, and has elected the second alternative. Under this election he will, at his own expense, build a distribution line from the end of the system of the Solano Irrigated Farms Company to his residence at Denverton.

This election makes inapplicable every objection of defendant save the request for a modification of paragraph 2 of the order, so as to provide that the duty of the defendant to serve complainant over the line of the Solano Irrigated Farms Company shall continue only so long as defendant may use said line without cost or expense to itself for the purpose of supplying electric energy to complainant. Under the facts of this case, I am of the opinion that it is reasonable to grant this modification, in the form contained in the order which follows.

A rehearing is unnecessary. I submit herewith the following form of order:

## ORDER.

Defendant having filed herein its application for a rehearing, and no good cause appearing therefor.

*It is hereby ordered* that said application be and the same is hereby denied.

*It is further ordered* that this Commission's order rendered on December 27, 1913, in the above entitled proceeding, be and the same is hereby modified so that defendant shall be required to serve com-

plainant over the line of the Solano Irrigated Farms Company, after complainant has constructed the extension thereof, only so long as defendant may be authorized to use said line of the Solano Irrigated Farms Company without cost or expense to itself in serving complainant. If an attempt is hereafter made to impose cost or expense to defendant in connection with the use of the line of the Solano Irrigated Farms Company to serve the complainant, the Commission may hereafter prescribe such further terms, if any, on which such service shall be continued, in case the Commission then finds it fair and equitable to direct the defendant to continue such service.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of February, 1914.

---

Decisions Nos. 1292, 1293, 1294, grade crossings: not printed. See end of volume.

DECISION No. 1295.

J. J. CHAPPELL ET AL.

vs.

SOUTHERN PACIFIC COMPANY.

---

Case No. 463.

*Decided February 19, 1914.*

---

*C. W. Durbrow and George D. Squires, for Applicant.*

REPORT OF THE COMMISSION.

OPINION ON APPLICATION FOR REHEARING.

EDGERTON, *Commissioner.*

This is an application by Southern Pacific Company for a rehearing in the above entitled action.

No new matter is presented in said application for the consideration of the Commission, and inasmuch as the points now raised were considered in the decision heretofore rendered, I see no reason for rehearing this case, and therefore recommend that the application for rehearing be denied.

I submit herewith the following order:

ORDER.

Application having been made to the Railroad Commission of the State of California by Southern Pacific Company for a rehearing in the

above entitled case, and it appearing to the Commission that said application should be denied.

*It is hereby ordered* that the application of Southern Pacific Company for a rehearing in the above entitled case be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of February, 1914.

DECISION No. 1296.

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN  
HOME TELEPHONE COMPANY FOR AUTHORITY TO  
ISSUE STOCK, BONDS AND NOTES.

Application No. 871.

*Decided February 21, 1914.*

Application of the Southwestern Home Telephone Company for authority to issue certain stock, bonds and notes, which is subsequently amended so as to apply only for authority to refund promissory notes of the aggregate sum of \$101,300.00, and to pledge bonds in the ratio of two to one as security therefor.

*Held.* That owing to the complex and unsatisfactory financial condition of applicant at the present time no order either granting or denying application should be made. Decision held in abeyance until July 1, 1914, during which time applicant shall submit and carry out plans for the betterment of its financial condition along lines suggested by the Commission, embodying (1) Reduction of its bonded indebtedness by conversion into stock; (2) Reduction of floating indebtedness by amounts paid out in dividends during the last several years; (3) Cancellation, if possible, of stock now held by trustee; (4) and of \$300,000.00 par value of "contract" stock held by certain of its officials.

*Charles A. Rolfe and J. J. Prendergast, for Applicant.*

REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

Southwestern Home Telephone Company operates telephone exchange systems at Redlands, in San Bernardino County, and Banning, Beaumont, Elsinore, Perris, San Jacinto, Hemet and Temecula, in Riverside County. The toll service connecting these points is operated by The Pacific Telephone and Telegraph Company. The two companies have a contract providing for joint service, and under the terms of this contract the Southwestern Company receives 20 per cent of the toll charges it collects for the Pacific Company. Under this arrangement

the exchange and toll services in this territory are distinct and the two corporations are not in competition at any point.

On December 6, 1913, Southwestern Home Telephone Company filed the application under consideration with the Commission, in which it asks for authority to issue stock, bonds and notes. This application may be segregated as follows:

1. Application to renew promissory notes in the sum of \$101,300.00. These notes comprise the following:

Date	Term	Payee	Amount
Apr. 30, 1910	2 years	Mrs. Mary J. Webster, 8 per cent.....	\$10,000 00
June 3, 1910	5 years	O. H. Rohrer, 7½ per cent.....	4,250 00
May 15, 1910	1 year	Mrs. Mary A. Prendergast, 8 per cent.....	8,000 00
Oct. 31, 1910	2 years	Mrs. Mary Gill Prendergast, 8 per cent.....	1,500 00
Mar. 11, 1911	3 years	E. J. Woolverton, 7 per cent.....	3,000 00
Aug. 5, 1911	3 years	S. H. and F. J. Burchell, 7 per cent.....	4,500 00
Aug. 30, 1911	2 years	E. M. Izard, 7 per cent.....	4,500 00
Oct. 1, 1911	1 year	Mrs. Mary A. Prendergast, 8 per cent.....	10,000 00
Oct. 3, 1911	1 year	Mrs. Mary A. Prendergast, 7 per cent.....	3,000 00
Jan. 21, 1912	2 years	Joseph S. Hale, 7 per cent.....	3,000 00
Mar. 17, 1912	3 years	Mrs. Mary S. Sargent, 7 per cent.....	7,000 00
May 12, 1912	1 year	Mrs. Ellen A. Lewis, 8 per cent.....	2,000 00
Apr. 4, 1912	3 years	C. B. Houdley, 7 per cent.....	3,000 00
Sept. 23, 1912	demand	First National Bank of Redlands, 7 per cent.....	10,000 00
Oct. 2, 1912	1 year	J. S. Luther, 8 per cent.....	2,000 00
Oct. 9, 1912	1 year	Mrs. Frances A. L. Smith, 8 per cent.....	1,800 00
Nov. 30, 1912	1 year	J. O. Thompson, 7 per cent.....	1,000 00
Apr. 25, 1913	3 years	F. H. Wells, 8 per cent.....	10,000 00
Apr. 25, 1913	3 years	J. W. Brock, 8 per cent.....	5,000 00
June 11, 1913	3 years	Alice P. and Mary Denison, 8 per cent.....	2,250 00
June 17, 1913	2 years	Gertrude A. Hayes, 8 per cent.....	3,000 00
July 7, 1913	2 years	Mrs. Mary G. Cesselbury, 8 per cent.....	2,500 00
			<b>\$101,300 00</b>

Request was made to refund these notes, as necessity might arise, for a maximum period of three years with a maximum interest rate of 8 per cent.

2. Application to pledge, as collateral security for the above notes, bonds of Southwestern Home Telephone Company in the ratio of \$2,000.00 face value of bonds for \$1,000.00 face value of notes and \$1,500.00 face value of bonds of Redlands Home Telephone and Telegraph Company for \$1,000.00 face value of notes. More specifically, the applicant requested authority to pledge as collateral security, \$182,000.00 of Southwestern Home Telephone Company bonds and \$15,000.00 of Redlands Home Telephone and Telegraph Company bonds. Bonds in these sums are now pledged as collateral security for the notes, and the request is, therefore, to repledge these same bonds.

3. Application for authority to issue 25,000 shares of capital stock at 60 cents per share and to apply the proceeds upon the indebtedness of the applicant, and to provide for certain unspecified extensions.

4. Application to sell an unspecified number of applicant's bonds for the purpose of liquidating indebtedness and making extensions.

5. Application for authority to issue to Mr. Arthur Gregory \$4,500.00 of Southwestern Home Telephone Company first mortgage 5 per cent bonds for 4,500 shares of stock under an arrangement by which the stockholders were given the privilege of surrendering their stock for bonds.

A hearing was held upon this application in Redlands on January 7th, and careful investigation was made into the affairs of the applicant.

Following this inquiry Southwestern Home Telephone Company filed an amended application on January 19, 1914, in which it asked for authority merely to refund its promissory notes and to pledge its bonds as collateral security therefor in the ratio of \$2,000.00 in bonds for \$1,000.00 face value of notes.

Under the amended application, therefore, the present findings could be limited to those features of the application embraced under division numbers 1 and 2 as heretofore enumerated. A proper consideration of these matters, however, necessitates a brief general review of the affairs of this corporation.

Southwestern Home Telephone Company was organized on February 6, 1905. It took over the Redlands Home Telephone and Telegraph Company in 1906 and gradually extended its lines until it is now serving the sections of San Bernardino and Riverside counties previously mentioned. It was, in the beginning, in competition at all these points with The Pacific Telephone and Telegraph Company. In 1907 it entered into arrangements with The Pacific Telephone and Telegraph Company by which the exchange plants at the points where the two corporations were in competition passed into the hands of the Southwestern Company, and the toll lines of the Southwestern Company became the property of the Pacific Company. For the properties thus taken over, the Southwestern Company agreed to pay \$79,845.14. It transferred to the Pacific Company its toll lines for \$27,967.78 and paid in cash the balance of \$51,877.36.

This amount of \$51,877.36 is at present represented by a portion of the floating indebtedness which applicant now asks authority to refund. Applicant states that the balance of this floating indebtedness has been incurred for other additions and betterments to its plants and facilities.

As a result of the consolidation of these properties the Southwestern Company finds itself with a greater capacity than its business now necessitates. It has 1,800 subscribers in Redlands and a total over its system of 2,800 subscribers. Its representatives assert that it has the facilities to accommodate 4,000 subscribers. A rapid growth is anticipated, as unusual conditions have served to retard the corporation's natural expansion during the past two years.



For the purposes of the present inquiry no exhaustive review was made of the physical features of this corporation. Other hearings are pending in which such inquiries will be necessary and to which time they may be deferred. The facts upon which a finding in this case may properly be predicated were developed through an inquiry more particularly into the financial features of this corporation's organization.

The applicant has an authorized issue of stock amounting to \$1,000,000.00, consisting of 1,000,000 shares of the par value of \$1.00 per share. Of this amount it has issued \$405,136.50 par value of stock. This stock is held as follows:

In the hands of the public.....	\$93,269 50
Held by trustee.....	11,867 00
Contract stock .....	300,000 00

The stock held by the trustee, the Southern Trust Company of Los Angeles, is so placed by reason of a provision in applicant's mortgage under the terms of which all its assets must be held by the trustee. This stock was once issued, and later, having been bought back by the company, was deposited with the trustee, where it now remains. This stock, so held, can not of course affect in any important way the affairs of this corporation, but it should more properly be canceled, and I suggest to applicant that it take such steps as may be necessary to have this trustee's stock restored to its treasury and canceled.

The 300,000 shares of contract stock was, according to the explanation of the applicant, given out originally to meet the terms of the statute providing that a corporation must have as much capital stock as bonds. In order to meet this condition, according to the testimony of the applicant, the company issued to one of its projectors and its president, Mr. Carl C. Wells, 300,000 shares of its stock under a contract. This contract stated that 300,000 shares of stock were turned over to Mr. Wells in full payment for his services for three years; that no dividends were to be paid on this stock and that the company was to have the option, within one year after the expiration of ten years from January 1, 1908, of purchasing this stock from Mr. Wells at 1½ cents per share, or a total of \$3,750.00.

Apparently it was the intention to compensate Mr. Wells to the amount of \$3,750.00 for his services in promoting and organizing the company, and the scheme of issuing to him the \$300,000.00 of stock was conceived as a means of complying with the statute providing for an issue of stock equal to the issue of bonds. As will appear later, the company had authorized an issue of \$1,000,000.00 of bonds.

It appears from the testimony that Mr. Wells sold this stock to Mr. Charles A. Rolfe, vice-president and general manager, and J. J. Prendergast, secretary and treasurer, of the Southwestern Home Telephone Company. Mr. Rolfe and Mr. Prendergast have expressed their desire to turn this stock into the treasury for the amount named, \$3,750.00, or for an amount of stock which at the current quotation would be the equivalent of \$3,750.00 in cash. They state that a present fair price for the stock is 60 cents per share. I suggest to the applicant that it proceed to make such arrangements with Mr. Rolfe and Mr. Prendergast as may be necessary to regain and cancel this block of 300,000 shares of stock.

The applicant has an authorized bonded indebtedness of \$1,000,000.00. It has executed a deed of trust to Southern Trust Company of Los Angeles, dated October 1, 1907, to secure its issue of bonds. These bonds mature in 1937 and carry an interest rate of 5 per cent per annum.

Redlands Home Telephone and Telegraph Company, the stock of which is owned by Southwestern Home Telephone Company, has an authorized bond issue of \$100,000.00 secured by trust deed to Title Insurance and Trust Company of Los Angeles, dated September 1, 1903. The bonds mature on September 1, 1933, and carry an interest rate of 5 per cent per annum.

The bonds of these two corporations are located as follows:

*Southwestern Home Telephone Company.*

Held in treasury .....	\$500,000 00	
Pledged as collateral.....		\$182,000 00
Held by public.....		\$318,000 00

*Redlands Home Telephone and Telegraph Company.*

Pledged as collateral.....	15,000 00	
Held by public.....		76,800 00

In treasury of Southwestern Home Telephone Company .....	\$8,200 00	
--	------------	--

Total pledged as collateral.....	\$197,000 00	
Held by the public.....		\$394,800 00

The applicant has submitted to the Commission its list of notes payable in the sum of.....		101,300 00
--	--	------------

Its indebtedness, therefore, represented by bonds and notes amounts to ..... \$496,100 00

At the hearing, Mr. Rolfe submitted an appraisal of the properties of Southwestern Home Telephone Company compiled on April 1, 1908, showing a value, according to his figures at that time, of \$562,574.08; to this Mr. Rolfe added the cost of additions \$25,762.56, making a total of \$588,336.64. Mr. Rolfe stated that this was reproduction value, "new" with no allowance for depreciation. The company's total

charge for depreciation from July, 1909, a period of  $4\frac{1}{2}$  years, amounts to \$24,360.74. The company has written the appraisal figure into its books and has no account to show an accumulated surplus, if such has been earned. Obviously the inventory figure of \$588,336.64 is subject to revision. Parts of this plant were constructed in 1905 and other portions, purchased from The Pacific Telephone and Telegraph Company, were built as early as 1891. It is hardly necessary to demonstrate by actual examination that, if Mr. Rolfe's inventory is entirely accurate, the accumulated depreciation would so reduce the value of this company's property as to make it, at most, little more than equal to the outstanding indebtedness and, in fact, there is much reason to believe that it might not even equal this sum.

I have chosen rather to determine, as far as is possible, the actual cost of these properties, and by this process I am led to believe that at least the original cost of these properties was not more than the present debt standing against them.

A complete record has not been submitted showing the original cost of the properties of the Redlands Home Telephone and Telegraph Company. This corporation was organized with a capital stock of 1,000 shares of the par value of \$100.00 per share, and with an outstanding indebtedness of \$100,000.00 of bonds. The bonds were taken at a low figure by a construction company and the stock was given as a bonus with the bonds. Thereafter assessments were levied upon the stock, which, according to the evidence, amounted to \$30.00 per share.

In the transaction by which Southwestern Home Telephone Company took over the Redlands Home Telephone and Telegraph Company, the Southwestern Company issued its stock on the basis of par, taking up the Redlands stock on the basis of \$50.00 per share. It required, therefore, 49,750 shares of Southwestern Company's stock to take up the 995 shares of the Redlands Company's stock. This 49,750 shares of Southwestern stock, therefore, was issued as against a payment of \$30,000.00, or on the basis of 60 cents per share.

Subsequent to this amalgamation, Southwestern Home Telephone Company indulged in a species of finance for which it is difficult to find any logical explanation. It may be passed over without special criticism at this time for the reason that the evil attendant upon it has already been wrought. It will suffice for this Commission to address itself to remedial considerations. It appears that in the fall of 1907 the Southwestern Home Telephone Company had stock outstanding to the amount of \$286,711.00 par value. Of this, \$49,750.00 had been issued in exchange for the Redlands Company's stock and the balance had been sold either for cash or in exchange for property on a basis of 75 cents per share. Such stock as was actually sold for cash brought

75 cents per share, and such exchange as was made was fixed on a basis of 75 cents per share. In October, 1907, the Southwestern Home Telephone Company presented to its stockholders a plan by which they were given the right to convert their stock into first mortgage 5 per cent bonds at par, on condition that they would subscribe, in addition, for 25 per cent of their stock holdings at par. They were given the privilege further of converting this additional 25 per cent of stock into bonds at par. It is in evidence that holders of 195,500 shares of stock elected to convert their stock and that through the privilege of subscribing for 25 per cent in stock and again converting this stock into bonds, a total of 244,000 shares of stock was eventually converted into bonds. This left the corporation with 91,200 shares of stock outstanding and an issue of \$244,000.00 of bonds, in addition to the underlying issue of \$100,000.00 of the Redlands Company bonds. Since that time additional stock has been issued to bring the total to \$93,269.50. An additional \$74,000.00 of Southwestern Company bonds have been issued; approximately \$29,000.00 at 85 for the purpose of retiring \$23,000.00 of Redlands bonds at 105, and the balance at prices ranging as low as 60 per cent of face value for additions and betterments. Additional money has been secured through issues of notes.

If we assume, therefore, that the \$93,269.50 of outstanding stock brought 75 cents per share, which is the maximum it could have brought, the company received from this source a total of \$69,952.13, or in round numbers approximately \$70,000.00. On the other hand, if it is figured that 195,500 shares of stock which cost 75 cents were converted into bonds at par, there is evidence of a discount of approximately \$49,000.00. In addition, the 5 per cent premium on \$23,000.00 of Redlands bonds and the 15 per cent discount on the \$29,000.00 of bonds sold to refund these Redlands bonds, amount to \$5,500.00. If we assume a discount of only 25 per cent on the remaining \$45,000.00 of bonds, we have an additional \$11,250.00, or a total in discounts and premiums of \$65,750.00. To this must be added the discounts on the Redlands Company bonds. This sum more than offsets the amount received from stock.

There is no evidence of a surplus reinvested and I believe it is thus very clearly established that this property stands to-day with an indebtedness in excess of its original cost.

I believe that any appreciation of these properties has at least been offset by the depreciation that has occurred. For this reason I believe it is not imperative at this time that the Commission go to the company's inventory to determine its general financial condition.

The applicant submits a statement of earnings and dividends which it presents as evidence of its financial ability to pay interest and

eventually to meet the principal of its bonded debt. For the year 1913 it submits an earnings statement as follows:

<i>Operating income:</i>	
Operating revenues (Schedule A).....	\$75,354 85
Operating expenses (Schedule B).....	36,767 15
Net operating revenue.....	\$38,587 70
<i>Non-operating revenue:</i>	
Interest on bonds owned.....	\$175 00
Interest on notes receivable.....	329 53
Total non-operating revenue.....	504 53
Gross corporate income.....	\$39,092 23
<i>Deductions from gross corporate income:</i>	
Interest accrued on funded debt.....	\$15,900 00
Other interest .....	8,074 87
Doubtful accounts charged off.....	229 72
Lease of Redlands Home Telephone and Tele- graph Company .....	4,015 00
Total deductions from gross corporate income.....	28,219 59
Net corporate income for year.....	\$10,872 64
(Deduct) dividends 3 per cent, common stock.....	2,798 05
Balance set aside for depreciation.....	\$8,074 59

For the year 1912 the company presents the following statement of earnings:

Gross earnings from telephone operations.....	\$77,145 08
Interest received .....	541 00
Miscellaneous .....	33 66
Total earnings .....	\$77,719 74
Operating and maintenance expenses.....	\$34,652 78
Interest on Southwestern bonds.....	15,900 00
Interest on notes, etc.....	8,129 63
Interest on bonds of Redlands Home Telephone Company .....	4,015 00
Taxes .....	3,376 76
	66,074 17
Balance .....	\$11,645 57
Credited to depreciation account.....	6,049 47
Dividend 6 per cent on 93,269½ shares .....	\$5,596 10

The company presents the following statement of dividends:

January 31, 1910, 1½ per cent on 80,827 shares.....	\$1,212 32
July 31, 1910, 1½ per cent on 83,130 shares.....	1,246 95
January 31, 1911, 3 per cent on 85,840 shares.....	2,575 21
July 31, 1911, 3 per cent on 89,251 shares.....	2,677 54
January 31, 1912, 3 per cent on 93,268 shares.....	2,798 04
July 31, 1912, 3 per cent on 93,268 shares.....	2,798 05
January 31, 1913, 3 per cent on 93,268 shares.....	2,798 05
Total dividends since January 31, 1910.....	\$16,106 16

I do not believe it is necessary to go into extended details to indicate wherein applicant has pursued an unfortunate policy in maintaining its dividends in the face of a large floating indebtedness on top of an already heavy bonded indebtedness.

Viewing this application from the strict limits of its amended form, I am not willing at this time to recommend that this Commission in any degree sponsor the situation as it now exists. An analysis of the note indebtedness shows that there have been issued for refunding purposes, without the approval of this Commission, notes in the sum of \$35,750.00 and that notes are overdue in the sum of \$38,050.00. As to these overdue notes, of course applicant can probably make such arrangements as may be necessary to leave them in their present condition. Some definite arrangement, however, will have to be made by the applicant in regard to those notes in the sum of \$35,750.00 which have been issued for refunding purposes without this Commission's approval. These are the notes given since March 23, 1912, to refund other notes wherein the total period of credit exceeds one year. The applicant may, of course, allow its bonds previously and legally pledged as collateral security so to remain, but it will be necessary for it to make such arrangement as may be required as to those bonds pledged for notes which have been refunded without the approval of the Commission and for which the approval of the Commission is necessary.

This company should take steps to place itself in a position so that the Commission may, with propriety, authorize it to issue such stocks, bonds, or notes as may be desirable for its proper financing. The Commission is not passing in this application on the corporation's original petition to issue bonds and stock, but I believe enough has been said to indicate that some readjustment must precede any authorization of the securities.

I believe that as its first step to place itself upon a basis where it can make a satisfactory showing to this Commission, this company should call upon its stockholders for the restoration of the dividends paid during the past few years. This money should originally have been used to reduce the company's floating indebtedness, and should now be regained and so employed. When this has been accomplished, I suggest that the applicant next endeavor to correct, so far as may be possible, the condition created by the transaction under which the large block of stock was converted into bonds. This transaction saddled upon this corporation fixed burdens which it should not be expected to carry. It is in evidence that many of this company's stockholders are also its bondholders, and I believe the applicant herein may be able to arrange for the reconversion of a portion of its bonds into stock.

There is one other matter to which I desire to allude. In its original application the Southwestern Company asked for authority to issue

\$4,500.00 of its first mortgage 5 per cent bonds to Mr. Arthur Gregory for 4,500 shares of stock held by him. It was stated that Mr. Gregory had originally elected to convert his stock into bonds under the plan of October, 1907, but that his bonds had never been delivered to him. Request was made to complete this transaction. The Commission informed the applicant that it would consider this feature of the application when proper evidence was submitted that Mr. Gregory had in good faith taken the necessary steps to make such conversion at the time of the original offer in 1907, and further that no other stock had any right to claim the conversion privilege. This information has not been presented to the Commission, and as applicant makes no reference to this matter in its amended application, I assume that it desires this feature of its petition left in abeyance for the present.

Nothing herein said should be construed as prejudicing the right of the applicant to reapply for authority to issue the \$4,500.00 of bonds to Mr. Gregory.

I shall not at this time recommend that the application of Southwestern Home Telephone Company be either granted or denied. I recommend that it be held in suspense pending such action as the applicant herein may take following suggestions which I shall here outline. I will submit suggestions for the company to follow rather than an order, feeling that the applicant herein will take the view that the suggestions are meant in its own interests as well as in the public interest. If an order along these lines becomes necessary, however, it may be issued at any time the Commission may believe it desirable.

I, therefore, recommend that the application herein be held in abeyance until July 1, 1914, and that the applicant herein by that time present to this Commission for its approval a general plan which shall embrace the following:

1. Reduction of applicant's bonded indebtedness by the conversion of a portion of this indebtedness into stock, or by some method equally satisfactory.

2. Reduction of applicant's floating indebtedness by the amount paid out in dividends during the past three or four years, and by such other means as shall serve to reduce this indebtedness to a conservative basis.

3. Cancellation, if possible, of stock now held by the trustee under applicant's bond issue.

4. Restoration to applicant's treasury and cancellation of block of 300,000 shares of "contract" stock through an arrangement to be effected between the company and Mr. Charles A. Rolfe and Mr. J. J. Prendergast.

I properly leave the details of these plans to be worked out by the applicant. I suggest, further, that the applicant notify this Com-

mission formally by letter on the twenty-fifth day of each month outlining what has been done up to that time toward meeting the suggestions of the Commission herein outlined.

The foregoing opinion is hereby approved and ordered filed as the opinion of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24th day of February, 1914.

---

DECISION No. 1297.

IN THE MATTER OF THE APPLICATION OF C. EDGAR SMITH,  
A WATER UTILITY, FOR PERMISSION TO INCREASE THE  
RATES CHARGED BY HIM FOR WATER FURNISHED TO  
CUSTOMERS IN SUNNYSIDE HEIGHTS AND ORIGINAL  
SUNNYSIDE, LOS ANGELES COUNTY, CALIFORNIA.

---

Application No. 650.

*Decided February 24, 1914.*

---

Applicant petitions the Commission for permission to increase the present rates charged for water so as to permit of an adequate return sufficient to cover operating expenses.

*Held*, That the present rates of applicant are unjust. A rate of 25 cents per 100 for less than 600 cubic feet and of 20 cents for each additional 100 cubic feet in excess of 600 with a minimum monthly rate of \$1.50 fixed as a just and reasonable rate.

*Frank A. Crowe*, for Applicant.

*L. B. MacNitt*, for consumers of water.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application by C. Edgar Smith, owning and operating a public utility water plant serving Sunnyside Heights and Original Sunnyside in Los Angeles County, California, for authority to increase the rates charged for water. The present rate is \$1.50 per one thousand cubic feet or practically 7,480 gallons, and 15 cents per additional 100 cubic feet with a monthly minimum of \$1.50.

The petition in this case alleges that C. Edgar Smith is the owner and operator of the water system supplying water to Sunnyside Heights and Original Sunnyside, that his water system has been operated at an annual loss of \$2,200.00, not including interest or the reasonable salary of the superintendent, and the petitioner accordingly asks authority to increase his rates so as to cover the expenses of running his plant.



The evidence shows that C. Edgar Smith originally owned two tracts of land known as Original Sunnyside and Sunnyside Heights, together containing some 150 acres. Mr. Smith subdivided Original Sunnyside Tract into 238 lots and Sunnyside Tract into 70 lots and has now sold all of these lots except about 20. There was no water on this property. In order to sell these lots, Mr. Smith dug a well on a half acre lot in the Original Sunnyside Tract, installed a pumping plant, built two tanks, one for each tract, and installed a pipe line system for the conveyance of water to lots in these two tracts. The contract of sale and the deed from Mr. Smith in each case contained a provision reading in part as follows:

“And the said parties of the second part (purchasers), their heirs and assigns, of the above described land shall at all times be entitled to secure water from the pumping plant and well on said tract, at the actual cost of operation and maintenance of said plant.”

It is evident that it was not intended that the rate for water should include interest on the investment or depreciation on the plant. It was presumed that the increased sale price of the lots would reimburse Mr. Smith for his investment and would take care of depreciation. The parties accordingly agreed that the water rate should cover only “the actual cost of operation and maintenance” of the plant. Mr. Smith asks only for rates sufficient to cover such actual cost of operation and maintenance. The items entering into this case, as testified at the hearing, consist of wages of an engineer, wages of a meter reader, cost of fuel, repairs to pump and engine, repairs to pipe system, and cost of bookkeeping and collections. I shall now consider each of these items in detail.

Mr. Smith has been paying a wage of \$45.00 per month to a person who devotes a part of his time to running the water plant and part of his time to other purposes. This engineer testified that he had demanded an increase to \$60.00 per month, and that he would quit unless paid this sum. Mr. P. W. Hughes, who resides on the tract, has written to the Commission that he is willing to run the pumping plant for 35 cents per hour of actual operation, with a minimum wage of \$15.00 per month. The pumping plant frequently does not have to be operated for more than an hour or two per day. Under all the circumstances of this case, I find that the Commission would not be justified in allowing an increase over the present wage of \$45.00 per month.

Mr. Smith testified that he is now paying to William Thornton the sum of \$6.25 per month to read the meters each month. He also testified that he himself was attending to the cost of bookkeeping and collections. After the hearing he stated that Mr. Thornton has agreed to do the entire work of reading meters and attending to the cost of bookkeeping and collections for \$25.00 per month. This arrangement seems

reasonable, and the amount of \$25.00 per month will be allowed to cover the entire cost of reading the meters, attending to the bookkeeping, making the collections and otherwise superintending the plant.

The total cost of fuel for the years 1910, 1911, 1912 and 1913 has been \$396.33, making an average cost per year of \$99.08. The sum of \$100.00 will be allowed for this item.

Bills were presented to show the cost of repairs as well as renewals due to depreciation on the pump and engine for the last six years. The bill for the years 1908, 1909 and 1910 amounted to \$617.05 and the bill for the years 1911, 1912 and 1913 to \$643.02. The average for the six years is \$210.00. This item includes quite large sums properly chargeable to renewals due to depreciation, as distinguished from maintenance. Mr. Stearns of the Stearns Gas Engine Works testified that \$150.00 per year would be a fair average for repairs to pump and engine. This amount will be allowed.

Mr. Smith testified that repairs to the pipe line, including the cost of material, amount to \$5.00 per month. This amount will be allowed.

The following items will accordingly be allowed under the head of operation and maintenance of this plant:

Engineer's wages -----	\$540 00
Cost of reading meters, bookkeeping, collections and other super- intendence -----	300 00
Fuel -----	100 00
Repairs to pump and engine -----	150 00
Repairs to pipe system -----	60 00
Total -----	<u>\$1,150 00</u>

During the year 1913 the present 62 consumers of water on this system paid a total revenue of \$945.00. It is thus apparent that a slight increase in rates must be made so that Mr. Smith may secure "the actual cost of operation and maintenance" which all the consumers have agreed to pay him. On all the facts of this case I find that the rate of 25 cents per hundred cubic feet for quantities under 600 cubic feet, with 20 cents per hundred cubic feet additional and a monthly minimum of \$1.50 would yield the revenue to which Mr. Smith is entitled and would be a just and reasonable rate. On the basis of the 1913 water use, this rate would yield a revenue of \$1,186.00, but in view of the fact that the increase in rates will no doubt result in some diminution in revenue, it is not reasonable to expect that under the new rates a revenue as high as \$1,186.00 will be realized. On the other hand, as more homes are built upon these two tracts and the amount of water consumed is increased, the cost of doing the business will be correspondingly decreased, so that it is just possible that within a few years the rate may again be reduced. For the present Mr. Smith is clearly entitled to the rate hereinbefore suggested. The consumers

present at the hearing expressed their entire willingness to pay Mr. Smith such rates as should be necessary under their agreement. As the minimum of \$1.50 would include all the water used up to 600 cubic feet per month, there will be no increase at all in the case of many of Mr. Smith's customers. The increases will fall on those who use the largest amounts of water and who have heretofore paid somewhat less than their fair share of the cost of operation and maintenance.

It appeared at the hearing that G. W. Wilson was unable, when he turned the water on in his yard, to secure water in his house. During the year 1913 the Commission also received several other complaints with reference to inadequate service on this system, which complaints were held in abeyance pending the hearing on this application. It must be understood that the increase in rates hereby authorized is contingent upon the rendition by applicant of adequate and sufficient service to his consumers, and that unless such service is rendered the Commission's authority to increase rates may hereafter be revoked.

I submit herewith the following form of order:

**ORDER.**

C. Edgar Smith, owning and operating a water utility for supplying water to consumers in Sunnyside Heights and Original Sunnyside tracts in Los Angeles County, California, having filed an application for authority to increase the rates charged for water, and a public hearing having been held upon said application, and all parties having agreed that Mr. Smith is entitled to such rates as will compensate him for "the actual cost of operation and maintenance" of his plant, and no more, and this application having been submitted and being now ready for decision, the Commission hereby finds as a fact that the existing rates for water, being \$1.50 per thousand cubic feet and 15 cents per one hundred cubic feet additional, with a monthly minimum of \$1.50, are not sufficient to yield to Mr. Smith the revenue to which he is entitled, and that a fair, just and sufficient rate would be a rate of 25 cents per hundred cubic feet for quantities less than 600 cubic feet with 20 cents per hundred cubic feet for all quantities in excess of 600 cubic feet, with a monthly minimum of \$1.50.

Basing its order on said findings, and on the other findings which are contained in the opinion which precedes this order,

*It is hereby ordered* that applicant be and he is hereby authorized to establish and file with this Commission the rate of twenty-five (25) cents per one hundred cubic feet of water for quantities less than six hundred (600) cubic feet, and twenty (20) cents per hundred cubic feet for all quantities in excess of six hundred (600) cubic feet, with a monthly minimum of one and 50/100 (\$1.50) dollars, to be charged to his customers in Original Sunnyside and Sunnyside Heights tracts in

Los Angeles County, California, and that said rates, if filed with this Commission prior to April 1, 1914, may become effective for water consumed on and after April 1, 1914, until the further order of this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24th day of February, 1914.

---

DECISION No. 1298.

IN THE MATTER OF THE APPLICATION OF F. W. GOMPH,  
AGENT FOR PACIFIC FREIGHT TARIFF BUREAU, FOR  
AN ORDER GRANTING PERMISSION TO CHANGE ITEMS  
90-C AND 91-A, AS SHOWN IN EXCEPTION SHEET No. 1-C,  
C. R. C. No. 70, REFERRING TO THE RATES ON CRUDE  
OIL AND PRODUCTS THEREOF.

---

Application No. 817.

*Decided February 25, 1914.*

---

Application of the Pacific Freight Tariff Bureau to make certain changes in Item No. 90-C and 91-A of Bureau Exception Sheet No. 1-C, C. R. C. No. 70, by raising the classification of "refinery tops," and certain other products of crude oil, thereby effecting a considerable increase in the rate thereon, denied.

*George D. Squires*, for Applicant.

*E. W. Camp*, for Atchison, Topeka and Santa Fe Railway Company.

*F. P. Grogson*, for Associated Jobbers of Los Angeles, and Independent Refineries of California.

*F. M. Hill*, for Fresno Traffic Association.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for authority to make certain changes in Item No. 90-C and also in Item No. 91-A of Bureau Exception Sheet No. 1-C, C. R. C. No. 70, referring to rates of transportation for crude oil and certain products thereof. Item No. 90-C at present provides for class "D" rating on petroleum crude oil and the other oils named therein, in carload lots. Item No. 91-A provides for a rating of 80 per cent of fifth class on petroleum engine (naphtha) distillate, carloads.

It is now proposed to change these two items so as to read as follows:

*Item No. 90-C.* Petroleum crude oil, petroleum road oil, petroleum fuel oil, viz: refinery residuum, petroleum gas oil (see \* below), petroleum stove oil (see \* below) and refinery tops (see \* below) in barrels, carloads, minimum weight 26,000 pounds, or in tank cars, subject to minimum carload weight as provided by current Western Classification.

When shipped in tank cars, weight will be computed at an estimated weight of 7 $\frac{3}{4}$  pounds per gallon.

NOTE.—Will not apply on petroleum refined oil (illuminating or burning), engine (naphtha) distillate, gasoline, benzine or naphtha.

\*Means gravity under 40 degrees Baumé scale.

*Item No. 91-A.* Petroleum engine (naphtha) distillate and refinery tops, gravity 40 degrees to 51 degrees, inclusive, Baumé scale.

NOTE.—Will not apply on petroleum refined oil (illuminating or burning), gasoline, benzine or naphtha.

Applicant asks that tariffs naming commodity rates on the articles specified in Items 90-C and 91-A be similarly amended.

The changes for which applicant asks are to be brought about by the application to petroleum gas oil, petroleum stove oil and refinery tops of what is known as the Baumé scale. These commodities, when having a gravity under 40 degrees Baumé scale, are to take Item No. 90-C rating, while if they run between 40 degrees and 51 degrees, inclusive, Baumé scale, they, together with petroleum engine (naphtha) distillate under the same condition, are to take Item No. 91-A rating.

The most important practical effect of this change would be to give to the commodity known as "refinery tops," Item No. 91-A rating, which takes 80 per cent of fifth class and not Item No. 90-C rating, which takes the lower class "D" rating. The carriers contend that refinery tops should at the present time properly take 80 per cent of fifth class, while the protestants contend that the proper rating is class "D" and object vigorously to an increase to 80 per cent of fifth class.

Refinery tops are the first product of crude oil from distillation. They are used to a considerable extent for refining into gasoline, benzine and engine distillate, and to some extent directly for use as fuel in internal combustion engines. Refinery tops are manufactured in some dozen or so topping plants in this State, as well as in some of the larger refineries, such as those of the Standard Oil Company and the Associated Oil Company. The topping plants, and also to some extent the Associated Oil Company, sell these tops to small refineries located in various portions of the State, which refineries then refine the tops principally for the purpose of securing therefrom gasoline for sale in the surrounding territory in competition with gasoline refined by the larger refineries owned by the Standard Oil Company, the Associated Oil Company, and the Union Oil Company.

The carriers claim that refinery tops are an engine distillate and that hence the proper rating is 80 per cent of fifth class. The protestants, being the independent refineries of this State, claim that refinery tops are a petroleum gas oil and that hence the proper rating is the crude oil rating, which is class "D" or corresponding commodity rate for crude oil. The testimony shows that during the last few months the carriers have billed this commodity at the higher rate, which rate the independent refineries have refused to pay, but that for some seven years prior thereto this commodity has never paid anything other than the lower class "D" rate. Among the plants manufacturing refinery tops and shipping them at the crude oil rate, was one plant in the West Side fields controlled by the Atchison, Topeka and Santa Fe Railway Company, and another at Gaviota, owned by the Associated Oil Company. The Associated Oil Company has for several years been controlled by the Southern Pacific Company, and prior thereto the Southern Pacific Company had a large interest therein. We accordingly find that the principal carriers here involved have during the last few years themselves either owned or controlled plants from which refinery tops were shipped at the crude oil rate. If there is any reasonable doubt in this case as to whether refinery tops at the present time properly take 80 per cent of fifth class or class "D," the doubt must be resolved in favor of the uniform practice of the carriers during the last seven years, both as carriers for others and as carriers of this product manufactured in plants owned or controlled by them. The claim of the carriers that they only recently found out that there was such a commodity and that it was being shipped at the crude oil rate is not borne out by the evidence.

I find that refinery tops at the present time come under Item No. 90-C and that the proper rating is class "D."

The question now to be considered is whether the rate on refinery tops shall be raised, as proposed by the carriers. The carriers argue in support of their contention that refinery tops are a manufactured product, that their value is greater than that of other commodities in crude oil classification, that greater risk is attendant upon their transportation, and that it would be more accurate and scientific to apply to the products of crude oil, in order to ascertain their proper rating, the Baumé test. The carriers claim that value follows gravity and that gravity can be easily and accurately ascertained by the use of the Baumé test.

The protestants claim that refinery tops are not a manufactured product, that their value is but slightly greater than that of other products which are included under Item No. 90-C, that there is no greater risk in transporting refinery tops than any other items grouped

under Item No. 90-C, that the equipment used to transport refinery tops, except such tops as are destined directly for use in internal combustion engines, is the crude oil equipment and not the cleaner equipment necessary to transport petroleum engine distillate, and that if the rate on refinery tops is increased, the result will be to put out of business most of the independent refineries of the State, to the advantage of the large refineries owned by the Standard Oil Company, the Associated Oil Company and the Union Oil Company.

The evidence shows that refinery tops are the product of the first distillation from crude oil and that they can not be used commercially, except to a limited extent for internal combustion engines, until they have been refined. The independent refineries are at the present time paying \$1.63 per barrel for No. 1 tops and 64 cents per barrel for No. 2 tops, f. o. b. Mojave. The chief engineer of the Associated Oil Company testified that crude oil is selling in the field at an average of between 50 cents and 85 cents per barrel, that the price of petroleum road oil has been approximately 85 cents per barrel and that the petroleum stove oil sells for about \$1.00 per barrel. These products all pay class "D" rating. He also testified that the price of engine naphtha distillate, which takes 80 per cent of fifth class, is between 6 cents and 7 cents per gallon at the refinery. At 42 gallons to the barrel, the price would be between \$2.52 and \$2.94 per barrel. While it is thus true that the average value of refinery tops is in excess of the average value of the other items which are included in Item No. 90-C, it is equally true that the average value of refinery tops is less than the value of petroleum engine distillate, contained in Item No. 91-A. It is clear that even if value be taken as the sole test of the rate in this case, it is not feasible to establish a separate classification for each separate value. Otherwise, it would be necessary to establish ten or twelve classifications for crude oil and the products thereof. The mere fact that refinery tops are now found with other items whose average value is somewhat less than that of refinery tops is by no means a conclusive argument in favor of placing refinery tops with petroleum engine distillate, whose average value is in excess of that of refinery tops.

There is no satisfactory evidence that the risk of transporting refinery tops is appreciably greater than the risk of transporting the other items which appear in the crude oil classification. While refinery tops are used principally for distillation into gasoline, benzine and engine distillate, they are also used to some extent directly for consumption in internal combustion engines, and when so used they compete with certain items in the crude oil group as well as with petroleum engine distillate.

The protestants earnestly contend that if the rate on refinery tops is

now increased it will seriously cripple the independent refineries. Several of the owners of these refineries appeared at the hearing and testified that they would be put entirely out of business. The extent of the proposed increase is shown by the following table showing the present and proposed rate per hundred weight on the basis of  $7\frac{3}{4}$  pounds per gallon, 10,500 gallons to the car, with a weight of 81,375 pounds per car:

	Present rate in cents per hundred pounds	Proposed rate in cents per hundred pounds
Mojave to Los Angeles.....	11 $\frac{1}{2}$	24
Monarch to Visalia.....	9	24
Monarch to Hanford.....	9	22.4
Monarch to Fresno.....	9	25.6

In order that this table should represent the situation accurately, it must be borne in mind that the crude oils are figured at  $7\frac{3}{4}$  pounds per gallon, while the distillates are figured at  $6\frac{6}{10}$  pounds per gallon, so that the real increase in the rate would be somewhat less than that indicated in the foregoing table.

Referring specifically to the claim that the independent refineries would be crippled or entirely put out of business, the evidence shows that these refineries are located at Fruitvale, Martinez, Fresno, Bakersfield, Hanford, Visalia, Tulare, Los Angeles, and possibly one or two other places. They buy their tops from the topping plants to which reference has heretofore been made, and in each case a freight rate must be paid on the tops to get them to the refinery. The gasoline and other products secured from these tops are sold by the independent refineries in competition with similar products manufactured by the Standard Oil Company, the Associated Oil Company, and the Union Oil Company. These companies have large pipe lines leading to nearly all of their refineries and transport the crude oil through these pipe lines without being obliged to pay a freight rate thereon. The independent refineries claim that as a result of their activities the price of gasoline in the territory in which they compete with the large companies has been reduced from 18 cents to 20 cents to about 13 cents per gallon and the price of engine distillate from about 12 cents to 6 cents or  $6\frac{1}{2}$  cents per gallon. They claim that if the freight rate on tops is increased as now desired by the carriers, they will not be able to compete and they also urge that the price paid by the public for gasoline and engine distillate will go up again as soon as they have been put out of business.

The evidence shows that the application in this proceeding was made by the carriers after conference and agreement with representatives of



the Standard Oil Company, Associated Oil Company, and Union Oil Company. The carriers, however, state that this application was not made at the request of these companies, but simply in the interest of a more scientific classification. Representatives of these three large companies appeared at the hearing, testified in favor of the granting of the application and stated that their companies were in favor of a higher classification of the refinery tops. The attorney for the Standard Oil Company, however, later appeared at the hearing and stated that he desired to modify the position of his company as testified to by its traffic manager, and stated that his company was simply interested in having refinery tops and petroleum engine distillate take the same rate and that it was immaterial to his company whether this result was accomplished by increasing the rate on refinery tops or decreasing the rate on petroleum engine distillate.

While the decision on this application is not based on the effect which the proposed increase would have on the independent refineries in this State and on the price which the public pays for their products, I nevertheless have thought it proper to refer to this matter as showing the practical effect which the granting of the application would have in these respects.

As hereinbefore stated the carriers have for seven years and more carried refinery tops at the crude oil rating. In order now to justify an increase in the rate, good and sufficient reasons therefor must be shown. I find that such reasons have not been shown and accordingly recommend that this application be denied.

I submit herewith the following form of order :

**ORDER.**

F. W. Gomph, agent for the Pacific Freight Tariff Bureau, having made his application for authority to change Items 90-C and 91-A shown in Exception Sheet No. 1-C, C. R. C. No. 70, referring to the rate on petroleum crude oil and certain products thereof, and a public hearing having been held upon said application, and this application having been submitted and being now ready for decision, and the Commission finding that no good and sufficient reason for such change has been shown,

*It is hereby ordered* that such application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 25th day of February, 1914.

## DECISION No. 1299.

IN THE MATTER OF THE APPLICATION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, FOR PERMISSION TO INSTALL GRADE CROSSING OVER THE TRACKS OF THE PACIFIC ELECTRIC RAILWAY COMPANY AND THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY ON VALENCIA STREET IN THE GLENDORA ROAD DISTRICT.

---

Application No. 911.

*Decided February 26, 1911.*

---

*A. J. Hill*, for Board of Supervisors.

*E. W. Camp*, for the Atchison, Topeka and Santa Fe Railway Company.

*Frank Karr*, for Pacific Electric Railway Company.

## REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

At the hearing of the above entitled application, it developed that the crossing desired would accommodate a small amount of business and could only be maintained with considerable hazard to the traveling public. Amicable arrangements have been made between the county and the roads involved whereby the siding located at the point to be reached by this crossing can be reached over the right of way of the Pacific Electric Railway Company, and the representatives of the county have signified their willingness to have the application dismissed.

I submit the following order:

## ORDER.

Application having been made by the board of supervisors of Los Angeles County for a grade crossing, as specified above in the title hereto, and a hearing having been held; and it appearing that a crossing at the place desired would increase the hazard to the traveling public, and arrangements having been made whereby the shippers and receivers of freight who would be inconvenienced by this crossing are afforded access to the side track of the Pacific Electric Railway Company over the right of way of said company.

*It is hereby ordered* that the above application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 26th day of February, 1914.

---

DECISION No. 1300.

MERCHANTS' TRAFFIC ASSOCIATION, INDEPENDENT  
SEWER PIPE COMPANY, PACIFIC SEWER PIPE COM-  
PANY, ST. LOUIS FIRE BRICK AND CLAY COMPANY,  
INGLEWOOD BRICK AND TILE COMPANY,

vs.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COM-  
PANY (COAST LINES), SOUTHERN PACIFIC COMPANY;  
CORONA CHAMBER OF COMMERCE, INTERVENOR.

---

Case No. 424.

*Decided February 27, 1914.*

---

Complaint of certain clay products manufacturers alleges unjust and discriminatory rates on clay in carload lots from Elsinore, Alberhill and Corona to Los Angeles and Los Nietos, and from Elsinore and Alberhill to Corona and Inglewood, and from Los Angeles to Tropic.

*Held*, That the rates from Alberhill and Corona to Los Angeles and Los Nietos and from Los Angeles to Tropic are unjust and discriminatory, just and reasonable rates prescribed to become effective within twenty days from date of order. Complaint in all other respects dismissed.

*E. A. Stewart*, for the Complainants.

*E. W. Camp*, for the Atchison, Topeka and Santa Fe Railway Company.

*Geo. W. Squires*, for the Southern Pacific Company.

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This complaint was made by and in the behalf of the manufacturers of clay products named in the title, whose factories are located at and in the vicinity of Los Angeles, and who largely secure the clays used therein from clay pits located at Alberhill and Corona. Two of the original complainants, the St. Louis Fire Brick and Clay Company and the Inglewood Brick and Tile Company, were granted permission upon application to withdraw from this proceeding, and the Corona Chamber of Commerce was granted permission to intervene.

The complainants allege as unjust, unreasonable and discriminatory the rates maintained and charged by the Atchison, Topeka and Santa Fe Railway (Coast Lines), for the transportation of clay in carload lots from Elsinore, Alberhill and Corona to Los Angeles and Los Nietos, and from Elsinore and Alberhill to Corona and Inglewood, and the rates maintained and charged by the Southern Pacific Company for the transportation of clay in carload lots from Los Angeles to Tropic. The Commission is asked to establish lower rates in the place of these rates; also to establish a through route and a joint rate for the transportation of clay in carload quantities from Alberhill and Corona to Tropic, and to make all such rates retroactive to June 30, 1913.

The Inglewood Brick and Tile Company is the only company interested in the rates on clay to Inglewood, and as it has withdrawn from this proceeding, no consideration will be given herein to rates to that point, and as no clay is produced and shipped from Elsinore, further consideration of that point as a point of origin should be dismissed.

It was agreed by the representatives of all the parties to this proceeding that the record in Case 385, *San Francisco Chamber of Commerce vs. Southern Pacific Company*, and Case 360, *Stone Canyon Coal Company vs. Southern Pacific Company* be considered in evidence in this proceeding and in so far as it has a bearing upon the issues herein involved it will be so considered. In those cases, however, the Southern Pacific Company was the defendant, while in this proceeding the Atchison, Topeka and Santa Fe Railway (Coast Lines), is the principal defendant, and the conditions obtaining on the latter line with respect to the transportation of clay have not been shown to be parallel with the conditions surrounding the transportation of the commodities involved in the cases to which reference is made.

The complainants abandoned an attempt to show that the rates herein involved on clay were excessive in that such rates contributed more than their proportionate share of the profits of the carrier, considering the value of the property devoted to the service of the public because of the obvious difficulties in the way of ascertaining the net return from transporting a single commodity over a line of road or a part thereof, and to sustain their allegations complainants depended largely on a number of comparisons of the rates on clay the subject of this complaint with rates charged thereon, between other points, or upon similar commodities between the same and other points.

The following statement taken from complainant's Exhibit No. 1 and the testimony of the defendants in part indicates the various rates on which clay in carload quantities moved between representative points

on the Atchison, Topeka and Santa Fe Railway (Coast Lines), in California, and the per ton mile, per car mile and per car revenue thereon:

From—	To—	Distance in miles	Rate per ton 2,000 pounds	Rate per ton per mile in mills	Rate per car mile in cents based on actual average loading of 88,000 pounds	Earnings per car based on actual average loading of 88,000 pounds	Movement during year ending June 30, 1913	
							Cars	Tons
Alberhill..	Amboy .....	211	\$1 50	7.1	31.42	\$66 00	3	132
Alberhill..	Central avenue..	104	1 50	14.4	63.46	66 00	142	6,258
Alberhill..	Corona .....	55	85	15.4	67.99	37 40	200	8,820
Alberhill..	Inglewood .....	110	1 60	14.5	64.00	70 40	18	792
Alberhill..	Los Angeles .....	104	1 50	14.5	63.46	66 00	1,484	65,288
Alberhill..	Los Nietos .....	91	1 50	16.4	72.52	66 00	70	3,100
Alberhill..	National City .....	180	2 00	10.6	48.88	88 00	6	264
Alberhill..	Pasadena .....	96	1 50	15.6	68.75	66 00	1	44
Bryman ..	Los Angeles .....	115	1 50	13.0	57.39	66 00	1	40
Bryman ..	San Francisco .....	478	3 00	6.3	27.61	132 00	3	100
Corona ..	Los Angeles .....	48	1 25	26.6	114.58	55 00	4	162
Corona ..	Los Nietos .....	36	1 25	34.7	152.77	55 00	6	185
Corona ..	Inglewood .....	55	1 60	25.8	128.00	70 40	1	20
Fleming ..	Colton .....	26	35	13.4	59.23	15 40	947	45,245
Ladrillo ..	National City .....	14	40	28.5	125.71	17 60	67	3,388
Ladrillo ..	San Diego .....	9	40	44.4	195.55	17 60	688	36,344

Complainants directed particular attention to the rates from Alberhill to Amboy and from Fleming to Colton, and insisted that these rates of the carrier should form the measure of the rates involved in this proceeding. The defendant urged that the rate from Amberhill to Amboy was made, *first*, because the clay traffic to Amboy helped to give a load part way for empty coal car equipment returning to the coal mines located on its lines at Gallup, N. M.; *second*, because a subsequent or second haul was received by it on the plaster manufactured partly from the clay at Amboy; and, *third*, because "that was the highest freight rate they (the manufacturers) could have paid."

In connection with the reason first set out it should be noted that Alberhill is on a branch line over a part of which no traffic other than clay moves, and if in a given case empty coal cars returning to Gallup, N. M., were furnished to transport the clay from Alberhill to Amboy, such cars would have to be placed in a train of the empty cars regularly used in this service and diverted from the direct route of return to the clay pits located on the branch line. Further, a witness for the defendant testified that the clay moved only in cars specially fitted for that service, exclusively, and other cars were not used "because if any rock \* \* \* or other commodities were to be handled in these cars and mixed up with the clay it would make the clay unsuitable for the purpose for which they use it," and it was also testified that the shipments which have moved into Amboy have been generally loaded in the regular clay cars.

In connection with the carrier's contention that a lower rate was made to Amboy on clay than would have been made thereto had not

the carrier reason to expect a subsequent haul on the products made in part therefrom, the testimony of the complainants that the clay products manufactured in part from the clay are distributed throughout southern California, Arizona, and in some cases shipments have been made to New Mexico, must be considered and if it is proper to consider a "second haul" in adjusting the rates to Amboy, then the same consideration should be given to the second haul in adjusting the rates to Los Angeles. The rate of \$1.50 per ton was established from Alberhill to Amboy at the "request" of the manufacturer located at the latter place, according to his testimony, and for the purpose of getting Alberhill clay for experimental purposes, and to determine if that clay would produce satisfactory results in the manufacture of plaster, and therefore it could hardly be said that the rate was essential to the operation of the plant at the time it was established, or that it was at that time the highest rate that the manufacturer could have paid.

The rate of 35 cents per ton from Fleming to Colton, a distance of 26 miles, was justified on the same grounds practically as the rate from Alberhill to Amboy, that is, that it was necessary that such a rate be established in order that the clay might move, and because a subsequent haul was contemplated on the cement manufactured therefrom, to which the preceding remarks will apply. It is also urged that the grade of clay moving under this rate is inferior to that of the clay moving from Alberhill to the clay manufactories herein interested, but inasmuch as there is no limitation as to the application of the rate and any clay whatsoever might move thereon regardless of its quality, and also that it is doubtful if the difference between the clays is sufficient to justify a difference in rating, it appears that this contention is not well taken.

The complainants alleged that the rate of 85 cents charged and maintained by the Atchison, Topeka and Santa Fe Railway (Coast Lines), on clay in carload quantities from Alberhill to Corona, a distance of 55 miles, when compared with the rate of \$1.25 per ton on the same commodity from Corona to Los Nietos and Los Angeles, for a distance of 36 and 48 miles, respectively, indicates the inequity of the adjustment of the latter rates. The carrier states that the rate was established to induce the factories at Corona to use the clay from Alberhill rather than the clay from the pits located adjacent to the factories at Corona, and which could be handled by wagon into the plants, and that the rate in the judgment of the carrier was too low, using the rates from Corona to Los Angeles as a measure, which very rate the complainants, by the comparison, seek to show is too high. The transportation conditions are more favorable in the case of a shipment from Corona to Los Angeles than from Alberhill to Corona, special train service being required in the latter haul, and to meet the contention of the complain-

ants that the rate from Corona to Los Angeles is established as unreasonable by this comparison it is not enough for the carrier to say that competition justifies or requires the lower rate from Alberhill to Corona. Something as to the extent and effect of the competition should be shown—the opinion of the carrier that the rate from Alberhill to Corona was too low, it was admitted, was formed without regard to the cost of the service or what profit the rate afforded.

Other rates established by the Atchison, Topeka and Santa Fe Railway (Coast Lines), were offered in comparison with the rates, the subject of the complaint, such as the rate of \$1.00 per ton for transporting lime rock in carload quantities from Oro Grande to Santa Ana, a distance of approximately 100 miles, the distance being approximately the same as the distance from Alberhill to Los Angeles and the value of the commodity being approximately the same. However, the service is a main line one and does not involve a special service, as is involved in the case of the transportation of clay from Alberhill to Los Angeles. The complainants also offered in comparison the rate of \$1.00 per ton charged by the Atchison, Topeka and Santa Fe Railway (Coast Lines), for transporting common brick, in carload quantities, from Corona to Claremont, a distance of 53 miles. The value of the brick is somewhat in excess of the value of the clay and the rate somewhat less than the rate on clay from Corona to Los Angeles, which is \$1.25 per ton for a distance of 48 miles. Defendant contends that this rate should not be used in comparison with the rates on clay for a similar distance, for the reason that it was established under market competitive conditions, that is, that it was put in so as to enable the brick manufacturer at Corona to compete at Claremont with brick manufactured at other points and shipped thereto.

Comparison was specially made also with the rate of 60 cents per ton on clay in carload quantities maintained by the Atchison, Topeka and Santa Fe Railway (Coast Lines), from Farr to National City, a distance of 41 miles, similar to the distance from Corona to Los Nietos and Los Angeles, between which points a rate of \$1.25 is maintained and charged.

The complainants also made comparisons with the rates applying on crushed rock, sand and gravel between various points in southern California, but I do not believe that the rates on these commodities should in fairness be compared with the rates on clay, for the reasons set out in this Commission's decision in Case 385, *San Francisco Chamber of Commerce vs. Southern Pacific Company*, the rates on crushed rock, sand and gravel between southern California points appearing to have been adjusted in contemplation of the same necessities as the rates on these commodities in northern California.

Following is a statement showing the car mile earnings of the Atchison, Topeka and Santa Fe Railway (Coast Lines), for the last nine months of the fiscal year ending June 30, 1913, for certain selected commodities and for distances embracing those between the various points involved in this matter:

Distances	Per car mile earnings in cents					
	Asphaltum	Brick	Canned goods	Cement	Coal	Crushed rock
From 26 to 50 miles---	1.05	.65	1.28	.79	.69	.46
From 51 to 100 miles---	.61	.41	.44	.79	.36	.32
From 101 to 150 miles---	.57	.44	.40	.53	.32	.27
From 201 to 250 miles---	.10	.21	.55	.63		

  

Distances	Per car mile earnings in cents					
	Deciduous fruit	Flour	Grain	Lumber	Sand and gravel	Wine
From 26 to 50 miles---	.52	.90	.85	.77	.40	.70
From 51 to 100 miles---	.54	.74	.61	.62	.29	.28
From 101 to 150 miles---	.31	.36	.40	.39	.53	.27
From 201 to 250 miles---	.31	.41	.27	.43		.41

The rate per car mile on clay, based on average loading of 88,000 pounds per car from Corona to Los Nietos for a distance of 36 miles is 152.77 cents and from Corona to Los Angeles for a distance of 48 miles is 114.58 cents. The former is considerably in excess of the car mile earnings on any commodity shown on the above statement and the latter in excess of the car mile earnings on every commodity shown in table, except canned goods, for similar distances. The per car mile earnings on clay of 67.99 cents from Alberhill to Corona, a distance of 55 miles, and of 72.52 cents from Alberhill to Los Nietos, a distance of 91 miles, likewise exceeds the car mile earnings on the commodities shown in the table for distances from 51 to 100 miles, except the earnings on cement and flour, and it is also shown that the per car mile earnings on clay of 63.46 cents from Alberhill to Los Angeles, a distance of 104 miles, are considerably greater than the per car mile earnings on any of the commodities shown in table for distances between 101 to 150 miles. The shipments of clay from Alberhill amount to approximately 6 cars daily and comprise the only traffic on the part of the line from Elsinore to Alberhill, and because of the grade thereon but four loaded cars can be handled from Alberhill to Elsinore by the type of engine in service on that branch. It is, therefore, necessary for the engine and crew to make two trips between Alberhill and Elsinore, a distance of approximately 6 miles to haul 6 cars from the clay pits of Alberhill to Elsinore, the point at which the shipments are billed. These conditions contribute greatly to the cost of transporting the clay from Alberhill and entitle the traffic therefrom to rates higher than would ordinarily be allowed



were the conditions such as not to require any special service, but in regard to the relative cost of the service from Alberhill to Amboy and from Alberhill to Los Angeles, a witness for the carrier stated that the average unit of cost in the former case was greater.

The same rates are maintained by the Atchison, Topeka and Santa Fe Railway (Coast Lines), from Alberhill and Corona to Los Nietos as to Los Angeles, and in support of the adjustment the defendant carrier contends that its intention was to keep all manufactories of clay products in this district on a parity as to transportation rates and because there is so little difference in distance, that lower rates to Los Nietos are not justified. If this statement is correct there appears no reason why Inglewood, a point six miles more distant than Los Angeles from the clay pits, should be given a rate originally 50 cents, and recently, since this complaint was filed, 10 cents higher than the rate to Los Angeles; the Los Angeles rate, however, being charged to Los Nietos, a point twelve miles nearer to the clay pits. If the rule were properly applicable to the latter case, it appears that it should also be applied in the case of the rates to Inglewood and the carrier's attempted justification of this condition, by stating that the Los Angeles rate plus switching charge at that point practically equalizes the rate to Inglewood, does not meet the situation, for the reason that the average loading of clay per car is 44 tons and therefore the line charge per car to Inglewood would be practically \$4.40 greater than the line charge to Los Angeles and \$1.00 per car greater than the aggregate of the line charge plus the switching charge to Los Angeles. It is likewise a fact that the \$1.50 rate applies to team tracks at Los Angeles without additional switching charges. The carrier in adjusting these rates gives to Los Angeles the advantage to which its location, in relation to Inglewood, entitles it, and properly, therefore, should not deny the same consideration to Los Nietos.

In comparison with the rate of 45 cents per ton charged and collected by the Southern Pacific Company for transporting carloads of clay from Los Angeles to Tropic, complainants directed attention to the rate of \$2.50 per ton charged by the Southern Pacific Company for transporting crushed rock, bags, or sulphur, in straight carloads, from Los Angeles to Dodsworth, and the rate of \$5.00 per car for transporting freight regardless of the classification, except brick, coal and lumber, in carload quantities, from Los Angeles to Shorb. The distance from Los Angeles to Dodsworth or Shorb is six miles or one mile in excess of the distance from Los Angeles to Tropic. The carrier contends that the rates to Dodsworth and Shorb are not reasonable in and of themselves and were forced upon it by competition. To further indicate the unreasonableness of the rate of 45 cents per ton on clay, carload quantities, from Los Angeles to Tropic, complainants rely upon a comparison made with

a rate of 35 cents per ton charged by the Pacific Electric Railway for transporting clay from Los Angeles to Sunset, a distance of 17 miles, in justification of which it is stated that the Pacific Electric Railway was forced to establish such a rate or forego the business, as the manufacturers otherwise would not have rebuilt its plant on Pacific Electric Railway's line after it had been destroyed by fire. Other comparisons were offered tending to show the rate of 45 cents to be unreasonable and unjust. There is at the present time no commodity rate in effect on clay from Los Angeles to Tropic, the rate of 45 cents per ton herein mentioned being the Class E rate between those two points, although the movement of clay from Los Angeles to Tropic for the twelve months ending June 30, 1913, was approximately 5,000 tons, or a small amount in excess of 400 tons per month, and quite steady throughout the year. In view of these facts I am inclined to the opinion that a commodity rate should be established for the transportation of clay, in carload quantities, from Los Angeles to Tropic.

After a full consideration of all of these matters I find as a fact that the rates charged and collected by the Atchison, Topeka and Santa Fe Railway (Coast Lines), for the transportation of clay in carload quantities from Alberhill and Corona to Los Angeles and Los Nietos, are unreasonable, unjust and excessive, and that just rates on clay in carload quantities of 60,000 pounds or more would be:

From—	To—	Rate in cents per ton of 2,000 pounds
Alberhill -----	Los Angeles -----	1.25
Corona -----	Los Angeles -----	.70
Alberhill -----	Los Nietos -----	1.10
Corona -----	Los Nietos -----	.55

I further find as a fact that the rate of 45 cents per ton charged and collected by the Southern Pacific Company for the transportation of clay, in carload quantities, from Los Angeles to Tropic is unreasonable, unjust and excessive, and that a reasonable and just rate on clay, in carload quantities of 60,000 pounds or more, from Los Angeles to Tropic is 30 cents per ton of 2,000 pounds.

I am of the opinion that the evidence does not sustain the allegations of the complainants that the rate of 85 cents per ton charged and collected by the Atchison, Topeka and Santa Fe Railway (Coast Lines), for the transportation of clay, in carload quantities, from Alberhill to Corona is unjust, unreasonable and excessive, and I am also of the opinion that the complainants failed to show that any material discrimination has been brought about by the maintenance of the present rates, or that the present method of handling shipments from Alberhill

to Tropico on the combination of locals is unsatisfactory other than as to the volume of the combined rates, or that public necessity demands the establishment of a through route and joint rate from Alberhill and Corona to Tropico, and I therefore recommend that as to these matters the complaint should be dismissed.

The Commission is asked to make the rates herein found to be just and reasonable retroactive to June 30, 1913. This the Commission is not empowered to do under the provisions of the Public Utilities Act. It may under the provisions of section 71 of that act require that reparation be made where it is found after investigation that the utility has charged an excessive or discriminatory amount, provided no discrimination will result from such reparation. However, the complainants in this case have not shown that they were damaged by the charging of the present rates for the transportation of clay, or that the freight charges paid thereon were not included in the price at which the clay products were sold to the consumers, and I am satisfied that it would be fairer to all parties to apply the proposed reduction to the future only.

I therefore submit the following form of order:

#### ORDER.

The complaint and answer having been filed in the above entitled proceeding and a public hearing having been held thereon and a full investigation of the matters and things involved having been had, and the Commission having made the findings of fact, which are contained in the opinion which precedes this order, on which findings the order in this case is based,

*It is hereby ordered* that the Atchison, Topeka and Santa Fe Railway (Coast Lines), publish and file in a tariff with this Commission to become effective twenty (20) days from date of this order the following rates for the transportation of clay in carload lots of 60,000 pounds or more:

From—	To—	Rate in cents per ton of 2,000 pounds
Alberhill -----	Los Angeles -----	1.25
Corona -----	Los Angeles -----	.70
Alberhill -----	Los Nietos -----	1.10
Corona -----	Los Nietos -----	.55

which rates are found to be just and reasonable and are hereby established as just and reasonable rates to be charged.

*It is further ordered* that the Southern Pacific Company publish and file in a tariff with this Commission to become effective twenty (20) days from date of this order, a rate of 30 cents per ton of 2,000 pounds

for the transportation of clay in carload lots of 60,000 pounds or more from Los Angeles to Tropic, which rate is found to be just and reasonable, and is hereby established as a just and reasonable rate to be charged.

*It is further ordered that as to the other matters involved the complaint be and it is hereby dismissed.*

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.

DECISION No. 1301.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF SIX HUNDRED AND THIRTY-NINE THOUSAND DOLLARS.

Application No. 590.

*Decided February 27, 1914.*

Applicant authorized to issue bonds of the face value of \$18,000.00 to refund indebtedness incurred for capital expenditures made during the month of January, 1914.

REPORT OF THE COMMISSION.

EIGHTH SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

This is a supplemental application for authority to issue bonds of the face value of \$18,000.00.

On June 30, 1913, this Commission rendered its opinion and order in the above entitled proceeding, authorizing the applicant to issue certain bonds, including bonds of the face value of \$459,000.00, on expenditures to be incurred during the year 1913. A much smaller expenditure than was anticipated was incurred during 1913, and a considerable portion of the bonds authorized have not been issued. The present supplemental application is filed for the purpose of securing this Commission's authorization for the issue of \$18,000.00, face value, of said bonds for capital expenditures incurred during the month of January, 1914.

A summary of the estimated total expenditures subsequent to December 31, 1913, and of the actual expenditures in January, 1914, and of

the balance to be expended is attached to the application and reads as follows:

**SUMMARY.**

	Balance to be expended as of December 31, 1913	Expenditures in January, 1914	Balance to be expended
1. Steam power plant equipment.....	\$44,468 90	\$913 66	\$43,555 24
2. Electric distribution system.....	19,748 61	9,737 79	10,010 82
3. Gas plant buildings and general structures .....	*223 07	200 77	*423 84
4. Gas generators .....	14,818 46	71 31	14,747 15
5. Purification appliances .....	6,067 88	523 87	5,544 01
6. Water gas sets and accessories.....	7,000 00	4,758 09	2,241 91
7. Accessory equipment at works.....	*22,156 53	1,074 85	*23,231 38
8. Gas distribution .....	131,633 81	5,513 66	126,120 15
9. Gas services .....	27,193 20	2,700 75	24,492 45
10. Gas meters .....	787 52	343 31	444 21
11. Miscellaneous distribution equip- ment .....	5,833 00	725 75	5,107 25
12. General structures .....	429 40	52 77	376 63
13. General shop equipment.....	2,687 69	254 36	2,433 33
14. Contingencies .....	69 16	69 16	-----
15. Land devoted to gas and electric operations .....	*1,497 14	43 13	*1,540 27
	\$236,860 89	\$26,983 23	\$209,877 66

\*Overrun over estimated cost.

Under the provisions of applicant's trust deed or mortgage, it is entitled to receive from the trustee bonds of the face value of 75 per cent of proper capital expenditures. It is evident that the amount of bonds for which this Commission's authority is now requested, being bonds of the face value of \$18,000.00, is less than 75 per cent of the capital expenditures during the month of January, 1914.

I find that the purposes for which the expenditures were incurred during the month of January, 1914, come within the general purposes specified in this Commission's opinion and order dated June 30, 1913, with the exception of certain items as to which the amounts expended have run over the estimates. In these cases, however, the amounts expended are for proper capital purposes, and the expenditures should be allowed.

Applicant alleges that it expects to be able to sell said bonds for not less than 85 per cent of their face value.

I recommend that this supplemental application be granted and submit herewith the following form of order:

**EIGHTH SUPPLEMENTAL ORDER.**

San Diego Consolidated Gas and Electric Company having applied to the Railroad Commission for the consent of the Commission to the issuance of bonds by said company of the face value of eighteen thousand dollars (\$18,000.00), said bonds to be included within the general authorization heretofore given by this Commission's order in the above

entitled proceeding, dated June 30, 1913, said bonds to be payable on the first day of March, 1939, and to bear interest at the rate of five (5) per cent per annum, payable semiannually, and secured by a trust deed or mortgage upon all the property of the company; and the Commission finding that the moneys to be procured by the issue of said bonds are necessary to and reasonably required by said company for the discharge and refunding of obligations heretofore incurred for proper capital expenditures, and that said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the Railroad Commission of the State of California hereby authorizes the issue by San Diego Consolidated Gas and Electric Company of eighteen thousand dollars (\$18,000.00), face value, of bonds of said company, bearing numbers 4076 to 4093, inclusive, maturing the first day of March, 1939, redeemable on March 1, 1914, or on any interest date thereafter at par, accrued interest and a premium of five (5) per cent on the principal thereof, and to bear interest at five (5) per cent per annum, payable semiannually, under and in pursuance of the terms of the deed of trust or mortgage heretofore and on the first day of March, 1909, made and executed by said San Diego Consolidated Gas and Electric Company to Harris Trust and Savings Bank and Los Angeles Trust Company, now known as the Los Angeles Trust and Savings Bank, as trustees, upon the conditions following and not otherwise, to wit:

1. San Diego Consolidated Gas and Electric Company shall sell said bonds hereby authorized so as to net said company not less than eighty-five (85) per cent of the face value of the principal thereof, besides interest accrued thereon.

2. San Diego Consolidated Gas and Electric Company shall apply the proceeds from the sale of said bonds only for the purpose of discharging and refunding indebtedness incurred for capital expenditures made during the month of January, 1914, as those expenditures are set out in the opinion which precedes this order.

3. San Diego Consolidated Gas and Electric Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission stating the sale or sales of said bonds during the previous month, the terms and conditions of sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

4. San Diego Consolidated Gas and Electric Company shall file with this Commission certified copies of the statements or certificates to be filed by it with the trustees under its said trust deed or mortgage, on which statements or certificates it expects to receive from the trustees the bonds hereby authorized to be issued.

5. The authority hereby given to issue bonds shall apply only to bonds issued by said company on or before the 30th day of April, 1914.

The foregoing eighth supplemental opinion and order are hereby approved and ordered filed as the eighth supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.

---

DECISION No. 1302.

CITY OF REDLANDS

*vs.*

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY,  
UNITED STATES LONG DISTANCE TELEPHONE AND  
TELEGRAPH COMPANY, SOUTHWESTERN HOME TELE-  
PHONE COMPANY.

---

Case No. 523.

*Decided February 27, 1914.*

---

Complaint of the city of Redlands alleging discrimination in that a switching charge of 5 cents is collected on outgoing toll messages and none on incoming messages.

*Held*, After preliminary hearing, defendant having filed revised rate schedule removing the discrimination complained of, complaint dismissed without prejudice.

*F. A. Leonard*, for Complainant.

*James T. Shaw, John G. Mott and Felix T. Smith*, for The Pacific Telephone and Telegraph Company.

*Arthur Wright and C. H. Temple*, for United States Long Distance Telephone and Telegraph Company.

*E. G. Pratt*, for Southwestern Home Telephone Company.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is a complaint by the city of Redlands asking that this Commission direct the removal of a so-called 5-cent switching charge collected by Southwestern Home Telephone Company on certain long distance telephone messages originating at Redlands, California. Com-

plainant alleges that a similar charge is not imposed on messages coming from other points to Redlands and that discrimination accordingly exists.

A hearing on this complaint was held in the city of Redlands on February 7, 1914. After some progress had been made in the hearing, the Southwestern Home Telephone Company requested that further hearing be postponed until a date thereafter to be set. In asking for such postponement, the company stated that within fifteen days it would either file a satisfaction of the complaint or an amended answer raising larger issues.

The Southwestern Home Telephone Company has now filed a revised schedule of rates eliminating the 5-cent charge hereinbefore mentioned and satisfying the complaint, and accordingly asks that the complaint be dismissed without prejudice. The Commission has carefully checked over the revised rates and finds that they satisfy the complaint made by the city of Redlands. In filing this revised rate schedule, the Southwestern Home Telephone Company states that the Pacific Telephone and Telegraph Company's representatives have given verbal assurances that the Pacific Company will enter into a contract more satisfactory to the Southwestern Home Telephone Company than the present contract, with reference to the compensation to be paid the Southwestern Home Telephone Company for handling the Pacific Company's long distance business. The Southwestern Home Telephone Company asks that the revised rate schedule be made effective on February 28, 1914, and I recommend that this request be granted.

I desire to draw attention to the fact that while the so-called 5-cent switching charge on certain long distance messages originating in Redlands is thus removed, a like charge is still imposed in the Southwestern Home Telephone Company's exchanges at Paris, Banning and Elsinore. I suggest that it might be well for the Southwestern Home Telephone Company to remove the switching charge in these exchanges as well, without the necessity of a formal complaint.

I submit herewith the following form of order:

**ORDER.**

A preliminary hearing having been held in the above entitled proceeding, and defendant Southwestern Home Telephone Company having now filed with this Commission a revised rate schedule removing the discrimination complained of and fully satisfying the complaint in so far as the city of Redlands is concerned, and Southwestern Home Telephone Company having asked that said revised rate schedule become effective on February 28, 1914,

*It is hereby ordered* that the complaint in the above entitled proceeding be, and the same is, hereby dismissed without prejudice, and



that said revised rate schedule be, and the same is, hereby made effective February 28, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this 27th day of February, 1914.

DECISION No. 1303.

IN THE MATTER OF THE APPLICATION OF THE DEER CREEK RURAL TELEPHONE COMPANY FOR PERMISSION TO SELL, ASSIGN AND TRANSFER TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY ALL RIGHT, TITLE AND INTEREST IN AND TO THE TELEPHONE PROPERTIES OF THE SAID DEER CREEK RURAL TELEPHONE COMPANY LOCATED AT TERRA BELLA, TULARE COUNTY, CALIFORNIA; AND OF

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY TO PURCHASE ALL RIGHT, TITLE AND INTEREST IN AND TO THE SAID TELEPHONE PROPERTY OF THE SAID DEER CREEK RURAL TELEPHONE COMPANY, LOCATED AT TERRA BELLA, TULARE COUNTY, CALIFORNIA, AND FOR PERMISSION TO INSTALL TELEPHONE PLANT AND TO PUBLISH, FILE AND PLACE IN EFFECT RATES FOR SERVICE AT TERRA BELLA, TULARE COUNTY, CALIFORNIA.

---

Application No. 879.

*Decided February 27, 1914.*

---

REPORT OF THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas this Commission's order of January 22, 1914, in the above entitled proceeding provided that the Deer Creek Rural Telephone Company might sell and the Pacific Telephone and Telegraph Company purchase the telephone properties of the Deer Creek Rural Telephone Company, on condition that within ninety days from the date of the order the Deer Creek Rural Telephone Company shall have filed with this Commission satisfactory evidence that it has lawfully authorized the sale of its property to the Pacific Telephone and Telegraph Company; and

Whereas Deer Creek Rural Telephone Company has now filed with this Commission evidence satisfactory to the Commission that the sale of its property has been lawfully authorized by the company,

*It is hereby ordered* that Deer Creek Rural Telephone Company be and it is hereby authorized to sell, assign and transfer, and the Pacific Telephone and Telegraph Company to purchase, all of the right, title and interest in and to the telephone properties of the Deer Creek Rural Telephone, as described in the application in the above entitled proceeding, on the terms and conditions specified in the order therein.

Dated at San Francisco, California, this 27th day of February, 1914.

---

DECISION No. 1304.

MOUNT SHASTA MILLING COMPANY

*vs.*

SOUTHERN PACIFIC COMPANY.

Case No. 429.

MOUNT SHASTA MILLING COMPANY

*vs.*

SOUTHERN PACIFIC COMPANY AND McCLOUD RIVER RAILROAD COMPANY.

Case No. 430.

S. ALEXANDER

*vs.*

SOUTHERN PACIFIC COMPANY AND McCLOUD RIVER RAILROAD COMPANY.

---

Case No. 432.

*Decided February 27, 1914.*

---

REPORT OF THE COMMISSION.

ORDER DISMISSING COMPLAINTS.

In Case No. 429 the Mount Shasta Milling Company attacks as unjust and unreasonable the rates on flour and grain from Montague to points on the Southern Pacific Company's main line south thereof, and refers particularly to Sisson, Dunsmuir, Lamoine, Kennett and Cottonwood.

In Case No. 430 the Mount Shasta Milling Company attacks as unreasonable and discriminatory the through rates of the Southern Pacific Company and the McCloud River Railroad Company on flour, mill products, grain and hay from Montague on the Southern Pacific system to McCloud and Bartle on the McCloud River Railroad.

In Case No. 432 S. Alexander attacks as excessive, unreasonable and discriminatory the through rate of the Southern Pacific Company and McCloud River Railroad Company from Edgewood on the Southern Pacific lines to McCloud and Bartle on the McCloud River Railroad.

These cases were heard at Sisson, November 20, 1913, and during the progress of the trial the defendants made certain compromise offers of rate reductions, which, at the time, I considered as indicating a possibility of the complainants and defendants getting together on some common ground and agreeing upon a rate adjustment which would be mutually satisfactory; and the parties to these cases were requested to get together and if possible come to an understanding.

We are now in receipt of advice from attorneys representing complainants that after a considerable period of negotiation the defendants have proposed a scale of rates satisfactory to the complaints, and requesting that the cases be dismissed. An order will be entered accordingly, but I can not refrain from suggesting that many cases might be similarly settled without necessity of formal hearings. It was necessary for one commissioner, a rate expert and a reporter to go to Sisson and hear these cases at a considerable expense to the State, all of which could have been avoided had the parties agreed upon just and reasonable rates in the first instance, which could have been done as well then as now, and we hope that in future the same earnest effort will be made to adjust controversies of this kind to the satisfaction of all concerned rather than put the Commission to the expense necessary to conduct formal hearings.

I recommend the following order:

**ORDER.**

At the request of complainants in Case No. 429, *Mount Shasta Milling Company vs. Southern Pacific Company*; Case No. 430, *Mount Shasta Milling Company vs. Southern Pacific Company and McCloud River Railroad Company*; Case No. 432, *S. Alexander vs. Southern Pacific Company and McCloud River Railroad Company*, for dismissal of these cases because of an amicable adjustment of the rates in controversy,

*It is hereby ordered* that said complaints be and the same are hereby dismissed.

By order of the Railroad Commission.

Dated at San Francisco, California, this 27th day of February, 1914.

## DECISION No. 1305.

IN THE MATTER OF THE PETITION OF THE QUINCY WESTERN RAILWAY COMPANY FOR AN ORDER EXCEPTING IT FROM COMPLYING WITH THE PROVISIONS OF CHAPTER 284, STATUTES OF CALIFORNIA, 1913, ENTITLED "AN ACT REGULATING HEADLIGHTS ON ALL LOCOMOTIVES AND PROVIDING A PENALTY FOR VIOLATION OF THE PROVISIONS OF THIS ACT."

---

Application No. 975.

*Decided February 27, 1914.*

---

Application of the Quincy Western Railway Company operating a road 5.3 miles long, for an order exempting it from complying with the provisions of chapter 284, Statutes of 1913, regulating headlights on locomotives, granted.

*H. G. Hill*, for Applicant.

## REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

The applicant, the Quincy Western Railway Company, operates a line of railway five and three tenths (5.3) miles in length, running from Marston, the junction point with the Western Pacific Railway, to Quincy, in Plumas County.

The line was constructed to serve as a connecting line between the Western Pacific Railway and the town of Quincy, and traverses a sparsely settled territory, there being no regular stopping place between the terminals of the line. It appears that the depot in Quincy is located on the outskirts of the town and there are but few buildings anywhere in the neighborhood of this road. The train schedules on the applicant's road are dependent entirely upon the schedules of the Western Pacific Railway Company, applicant's trains being operated so as to meet the Western Pacific overland trains. It also appears that there are only two (2) trains each way daily operating after sundown, and that one of these trains will run after sundown only during the winter months. Only one engine is operated on this railroad, and it appears that this engine is now equipped with a headlight powerful enough to enable the engineer to see a dark object the size of a man on a dark night a distance of three hundred and fifty (350) feet, while the train is running at the rate of twenty (20) miles per hour. It is in view of the facts as stated that applicant desires the Commission to exercise its authority conferred in the act to exempt engines used on short lines or local lines from the provisions of this act.

The engineering department of the Commission has made and investi-

gation into this matter and has ascertained the facts as stated heretofore, and I am of the opinion that the application should be granted and that safety does not require the equipment of the engine used on this line with the standard headlight prescribed in the law. I recommend the following order :

**ORDER.**

Quincy Western Railway Company, a common carrier, having applied to this Commission for an order exempting such railroad from the provisions of chapter 284 of the Statutes of 1913, requiring the installation of standard headlights prescribed in the law, and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the Quincy Western Railway Company is a short local line, and that the headlight provided in the act referred to is not necessary for the preservation of public safety.

Basing this order on the foregoing finding of fact,

*It is hereby ordered* that the Quincy Western Railway Company shall be exempt from the provisions of said act until the further order of this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.

---

DECISION No. 1306.

JOHN I. BECK

*vs.*

HERMOSA BEACH WATER COMPANY.

---

Case No. 470.

*Decided February 27, 1914.*

---

Complaint of John I. Beck, petitioning the Commission to compel defendant water company to install at its own expense a service connection approximately one hundred feet in length.

*Held*, Rules governing the apportionment of such expenses having been approved by the Commission in defendant's Application No. 919, complaint dismissed.

*John I. Beck, in propria persona.*

*W. J. Carr*, for Defendant.

**REPORT OF THE COMMISSION.**

LOVELAND, *Commissioner.*

In this case, complainant, John I. Beck, asks that defendant, Hermosa Beach Water Company, be required to install, at its own expense, a

connection to serve complainant with water. The length of the extension is approximately one hundred feet.

At the time this complaint was heard, an application of the Hermosa Beach Water Company was also heard asking that the Commission approve certain rules and regulations affecting the relations of the Hermosa Beach Water Company with its consumers, and, after amending said rules and regulations, the Commission has approved the same, and under the opinion and order in Application No. 919 has granted permission to the Hermosa Beach Water Company to put said rules and regulations into effect.

After a careful consideration of the situation at Hermosa Beach, the Commission has decided that, without establishing any principle to be used in other cases or applications, in this particular situation the water company should make extensions for permanent residents and should bear the expense of the first fifty feet of such extensions and of the ordinary connection to serve the consumer, the consumer to advance the expense of the extension other than the first fifty feet and for any connection other than the ordinary one, such amounts advanced by the consumer to be credited to his account on the books of the Hermosa Beach Water Company and returned to him in the shape of rebates on his monthly bills in such amount as will return the entire sum which he has advanced within fifteen months.

As the establishment of the rules and regulations by the Hermosa Beach Water Company, under the permission granted by the Commission, settles the question at issue in this case, it should be dismissed, and I recommend the following order:

#### ORDER.

John I. Beck, of Hermosa Beach, California, having filed a complaint with the Railroad Commission of the State of California asking that the Hermosa Beach Water Company be ordered to extend its distribution system so as to serve complainant with water; and the Hermosa Beach Water Company having contemporaneously filed an application for permission to establish and put into effect certain rules and regulations governing the distribution of water under its system; and the Commission having granted the application of the Hermosa Beach Water Company, and the settlement of the matters and things involved in this complaint being provided for under said rules and regulations,

*It is hereby ordered* that the complaint of John I. Beck versus Hermosa Beach Water Company be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.

DECISION No. 1307.

FRANCIS S. HALE

*vs.*

HERMOSA BEACH WATER COMPANY.

Case No. 487.

*Decided February 27, 1914.*

Complainant petitions the Commission to compel defendant to install at its own expense a service connection approximating four hundred feet in length.

*Held*, Commission having approved rules and regulations governing the apportionment of expenses in such extensions in defendant's Application No. 919, complaint dismissed.

*Francis S. Hale, in propria persona.*

*W. J. Carr, for Defendant.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

In this case, complainant, Francis S. Hale, asks that defendant, Hermosa Beach Water Company, be required to install, at its own expense, a connection to serve complainant with water. The length of the extension is approximately four hundred feet.

At the time this complaint was heard, an application of the Hermosa Beach Water Company was also heard asking that the Commission approve certain rules and regulations affecting the relations of the Hermosa Beach Water Company with its consumers, and, after amending said rules and regulations, the Commission has approved the same, and under the opinion and order in Application No. 919 has granted permission to the Hermosa Beach Water Company to put said rules and regulations into effect.

After a careful consideration of the situation at Hermosa Beach, the Commission has decided that, without establishing any principle to be used in other cases or applications, in this particular situation the water company should make extensions for permanent residents and should bear the expense of the first fifty feet of such extensions and of the ordinary connection to serve the consumer, the consumer to advance the expense of the extension other than the first fifty feet and for any connection other than the ordinary one, such amounts advanced by the consumer to be credited to his account on the books of the Hermosa Beach Water Company and returned to him in the shape of

rebates on his monthly bills in such amount as will return the entire sum which he has advanced within fifteen months.

As the establishment of the rules and regulations by the Hermosa Beach Water Company, under the permission granted by the Commission, settles the question at issue in this case, it should be dismissed, and I recommend the following order:

**ORDER.**

Francis S. Hale, of Hermosa Beach, California, having filed a complaint with the Railroad Commission of the State of California asking that the Hermosa Beach Water Company be ordered to extend its distribution system so as to serve complainant with water; and the Hermosa Beach Water Company having contemporaneously filed an application for permission to establish and put into effect certain rules and regulations governing the distribution of water under its system; and the Commission having granted the application of the Hermosa Beach Water Company, and the settlement of the matters and things involved in this complaint being provided for under said rules and regulations,

*It is hereby ordered* that the complaint of Francis S. Hale versus Hermosa Beach Water Company be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.



## DECISION No. 1308.

IN THE MATTER OF THE APPLICATION OF F. W. GOMPH, AGENT, ACTING FOR TONOPAH AND TIDEWATER RAILROAD COMPANY FOR AUTHORITY TO INCREASE THE MINIMUM CHARGE FOR STORAGE OF LESS-CARLOAD SHIPMENTS FOR TWENTY-FIVE CENTS.

Application No. 868.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES), FOR SIMILAR AUTHORITY.

Application No. 869.

IN THE MATTER OF THE APPLICATION OF NORTH-WESTERN PACIFIC RAILROAD COMPANY, SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY, SOUTHERN PACIFIC COMPANY AND WESTERN PACIFIC RAILWAY COMPANY, FOR SIMILAR AUTHORITY.

Application No. 930.

*Decided February 27, 1914.*

Application of various carriers to increase the minimum storage charge for less-carload shipments held in applicants' freight shed beyond the free time allowance, granted.

*George D. Squires*, representing Applicants.

*William R. Wheeler*, for Intervenor.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

Inasmuch as these applications involved the same statement of facts and prayed for the same authority to increase the minimum charge, by agreement of all parties they were heard at one and the same time, the testimony submitted applying alike to each application.

The present rules provide the following charges:

Consignments of 100 pounds or less, one (1) cent per day. Minimum charge twenty-five (25) cents.

Consignments of over 100 pounds and not over 500 pounds, two (2) cents per day. Minimum charge ten (10) cents.

Consignments of over 500 pounds and not over 1,000 pounds, three (3) cents per day. Minimum charge fifteen (15) cents.

Consignments of 1,000 pounds and not over 1,600 pounds, four (4) cents per day. Minimum charge twenty (20) cents.

Consignments of over 1,600 pounds and not over 2,000 pounds, five (5) cents per day. Minimum charge twenty-five (25) cents.

Consignments of over 2,000 pounds, five (5) cents per ton per day. Minimum charge twenty-five (25) cents.

Authority is asked under these applications to amend these rules so as to read as follows:

Consignments of 100 pounds or less, one (1) cent per day. Minimum charge twenty-five (25) cents.

Consignments of over 100 pounds and not over 500 pounds, two (2) cents per day. Minimum charge twenty-five (25) cents.

Consignments of over 500 pounds and not over 1,000 pounds, three (3) cents per day. Minimum charge twenty-five (25) cents.

Consignments of 1,000 pounds and not over 1,600 pounds, four (4) cents per day. Minimum charge twenty-five (25) cents.

Consignments of over 1,600 pounds and not over 2,000 pounds, five (5) cents per day. Minimum charge twenty-five (25) cents.

Consignments of over 2,000 pounds, five (5) cents per ton per day. Minimum charge twenty-five (25) cents.

At the hearing, the San Francisco Chamber of Commerce Traffic Bureau intervened in opposition to the granting of these applications.

Witnesses for applicants, in support of the applications, testified that the present charges do not cover cost of clerical accounting of the bills and the extra labor and extra warehouse space required, and also do not provide reasonable compensation for the risk while goods are in storage.

It is also claimed in the applications and supported by the testimony of witnesses for applicants, that the charges proposed in the new schedule now prayed for will promote prompt removal of freight, thus giving access to space that should be available for the transaction of current business.

Witnesses for applicants further testified that the carriers did not regard amounts paid for storage beyond free time as desirable when considered as income, and would much prefer not to have to collect anything under the rules.

Intervenor sought to show that the responsibility for leaving merchandise in freight sheds beyond the free time allowed by the tariffs was principally due to inadvertence and somewhat also to the desire, upon the part of draymen, to avoid special trips for small shipments. But even if we grant that this is true, I find no justification in such reasons for breaking a reasonable rule.

It is my opinion that freight sheds should be regarded as facilities for transportation and not for warehouse purposes. Forty-eight hours free time are given in which to remove less-carload shipments from the freight sheds and such rules should be permitted as will promote the removal of such less-carload shipments received at the freight sheds within that time.

Witnesses for applicants claimed that such would be the effect of the rule now asked for. I am inclined to think that the rule would have that effect and, in view of the free time allowed, and the fact that con-

gestion and extra handling of merchandise in freight sheds should be avoided by the removal of merchandise within the free time, I shall recommend that the applications be granted, with the proviso, however, that each of the railroad companies represented in these applications shall file with the Commission a statement, by the month, showing the amount collected on less-carload shipments which have remained in their freight sheds beyond the limit of the free time for the last six months of 1913 and a similar statement for six months in 1914, beginning March 16, 1914, such reports to be for amounts collected at applicants' San Francisco offices only, as these are considered fairly representative.

At the expiration of the latter term, to wit, on or after September 15, 1914, any of the parties to these applications may ask the Commission to consider whether this order has resulted in the more prompt removal of less-carload shipments from freight sheds of applicants, or the Commission may make such investigation and further order as is deemed necessary in the premises.

I recommend the following order:

**ORDER.**

Whereas F. W. Gomph, agent, acting for Tonopah and Tidewater Railroad Company, and the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), Northwestern Pacific Railroad Company, San Pedro, Los Angeles and Salt Lake Railroad Company, Southern Pacific Company and Western Pacific Railway Company, have applied to this Commission for permission to increase the minimum storage charge on less-carload shipments held in applicants' freight sheds beyond the free time allowed by the tariffs, as set forth in the opinion preceding this order, and the Commission believing that the application of the rules prayed for will make for greater convenience in the shipping and handling of less than carload lots merchandise,

*It is hereby ordered* that applicants herein be and they are hereby granted authority to put into effect the new rules, as prayed for in their applications and as set forth in the opinion preceding this order, for the period of six months from March 16, 1914, at which time, or as soon as may be thereafter, the Commission, upon its own initiative or at the request of any one, party to these applications, will make such further investigation and order as may be found necessary.

*It is further ordered* that the railroads, parties to these applications, at once file with the Commission a statement showing the receipts, by the month, for the last six months of 1913, arising from charges for storage on less-carload shipments, at their San Francisco offices, and that, as soon as convenient after September 15, 1914, applicants also

file similar statements showing receipts, by the month, from March 16, 1914, to September 15, 1914, for similar charges for the same offices.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.

---

DECISION No. 1309.

THE TOWN OF UKIAH

vs.

THE SNOW MOUNTAIN WATER AND POWER COMPANY.

---

Case No. 483.

*Decided February 27, 1914.*

---

*Held.* After exhaustive review of authorities that a public utility can not contract with its customers in such a way as to preclude the State, acting through the Railroad Commission, from inquiring into the reasonableness of the rates named in the contract, directing the removal of discrimination caused by the contract, or otherwise completely supervising and regulating the utility. This principle applies to a contract between a public utility and a municipality unless the State has expressly given to the municipality the right to contract away the State's right under the police power to regulate and supervise public utilities. The State has not given this right to the town of Ukiah City.

*Held.* That the Snow Mountain Water and Power Company eliminate the unreasonable difference as to rates and charges found in this case to exist against the town of Ukiah City and in favor of Cloverdale Light and Power Company, Mount Konocti Light and Power Company and Napa Valley Electric Company.

*Charles M. Mannon*, city attorney, for Complainant.

*Pillsbury, Madison & Sutro, F. D. Madison* and *W. P. Thomas*, for Defendant.

REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is a complaint to remove an alleged discrimination in the rate for electric energy supplied by the defendant to the complainant, as compared with the rate for which defendant supplies electric energy to certain of its other customers. The hearing in this case was held in Ukiah on December 16th and 17th, 1913. At the request of the parties, permission was given to file briefs. The briefs are now at hand and the case is ready for decision.

This case was tried on amended complaint and amended answer. The amended complaint alleges, in effect, that defendant for more than five years has sold electric energy to complainant as well as to other corporations, institutions and persons engaged in the distribution and sale of electric energy at retail, at various localities in Mendocino, Lake, Sonoma and Napa counties; that during said five years the defendant has charged, and is charging, complainant for electric energy at the rate of \$4.00 per horsepower per month, provided that complainant shall pay not less than \$1,000.00 per month in any event, and provided further that the number of horsepower per month for which complainant is to pay shall be determined by the highest 30-minute peak of the month; that during the year ending June 30, 1913, complainant's total consumption was 754,922 kilowatt hours and that defendant charged therefor and received the sum of \$11,994.37, thus making an average rate of 1.5888 cents per kilowatt hour; that the average rate charged by defendant and paid by complainant during the month of July, 1913, was 1.056 cents per kilowatt hour; during the month of August, 1913, 1.26 cents per kilowatt hour, and during the month of September, 1913, 1.636 cents per kilowatt hour; that at no time since June 30, 1912, has the average monthly load factor of complainant's consumption of electric energy been less than 33 per cent; that at all times since November 1, 1913, defendant has supplied and is now supplying current to others of its customers at a much less rate than to complainant, to wit: To Cloverdale Light and Power Company, 1 cent per kilowatt hour; to Napa Valley Electric Company, 1 cent per kilowatt hour; to Mount Konocti Light and Power Company, 1 cent per kilowatt hour; that there is no reason why complainant should pay defendant for electric energy at any greater rate than does any other of its customers above named, and that therefore defendant has established and is maintaining an unreasonable difference as to rates and is discriminating against complainant. Complainant asks this Commission to make its order compelling defendant to cease the maintenance of such difference as to rates and to cease to discriminate between its customers, and to that end to make such order as to the Commission shall seem proper in the premises.

Defendant in its amended answer interposes a number of defenses. In the first defense defendant alleges, in effect, that complainant could by ordinary care make such arrangements for the furnishing and supplying to its customers of the necessary electric energy that the minimum of \$1,000.00 per month would not be exceeded, but that complainant has failed to use such ordinary care; that the terms and conditions of the contracts and the circumstances under which the defendant is supplying power to the Cloverdale Light and Power Company, the Napa Valley Electric Company and the Mount Konocti Light

and Power Company are different from the terms and conditions of the contract under which defendant is supplying electric energy to the complainant, and that the defendant is not discriminating against the complainant in any way.

In its second defense the defendant alleges, in effect, that prior and subsequent to February 5, 1905, the town of Ukiah has owned and operated its own municipal plant and works for supplying its inhabitants with electric light, power and heat; that prior to April 1, 1908, the town was charging its inhabitants the sum of 15 cents per kilowatt hour for electric energy for domestic purposes, and that the service was poor; that at or about February 13, 1906, the then mayor and trustees of the town urged the defendant to build and construct its present works, and represented that if this were done, the town of Ukiah would enter into a contract with defendant to take electric energy to enable the town to supply its inhabitants through its own municipal plant and distributing system, and that the then mayor and trustees stated that the town would enter into a contract with the defendant for a period of ten years, upon the terms and conditions thereafter in the answer set forth; that in reliance on said contract, and not otherwise, the defendant proceeded with the construction of its plant, and has expended thereon in excess of \$1,300,000.00; that on or about September 6, 1907, the town of Ukiah entered into a contract with the defendant agreeing to take all the electric energy needed by it for a period of ten years, at the rate of \$4.00 per horsepower, as specified in a copy of the contract attached to the amended answer and marked "Exhibit A"; that at the time the contract was made all its terms were deemed fair and reasonable; that on or about April 1, 1908, defendant commenced to furnish complainant with electric energy under said contract, and that defendant has ever since performed and is now performing, in good faith, all of the terms and conditions of said contract on its part to be performed; that since the execution of said contract the town of Ukiah has reduced the rate to its inhabitants from 15 cents to 10 cents per kilowatt hour; that after entering into said contract the defendant entered into contracts with other public and private corporations for supplying electric energy to them at prices which the defendant alleges are substantially the same, in view of the terms and conditions of the contracts, as the price agreed upon with the complainant; and that defendant's income has not been sufficient to pay all its proper charges.

In its third defense defendant alleges that if any reduction should be made by this Commission in the price paid by complainant for electric energy served by the defendant, the result would be to deprive defendant of its property without due process of law and without just com-

pensation, contrary to the fourteenth amendment to the constitution of the United States.

In its fourth defense defendant alleges that any reduction in said price would impair the obligation of its alleged contract with the town of Ukiah, and that if any such reduction is authorized to be made under the Public Utilities Act, then said act is in violation of section 10 of article I of the constitution of the United States, and of section 16 of article I of the constitution of this State, both referring to the impairment of the obligations of contracts.

In its fifth defense defendant alleges that the town of Ukiah has not surrendered to the Railroad Commission its powers of control respecting public utilities; that the electric current supplied to the town is delivered within its corporate limits, and that this Commission has no jurisdiction over the rates charged by defendant to complainant.

In its sixth defense defendant alleges that this Commission, in its decision in Application No. 83, heretofore decided that the rate charged to complainant by defendant is a fair and reasonable rate, and that no change has been made in the circumstances and conditions surrounding said contract since said decision.

The defendant accordingly prays that the complaint be dismissed. There is no question in this case as to whether or not the defendant is a public utility. The defendant has expressly admitted that it is such utility, and the facts show that this is the case.

The questions at issue in this case are partly questions of law and partly questions of fact. I shall consider first the questions of law:

Referring first to defendant's claim based on this Commission's decision in Application No. 83 (Vol. I, Opinions and Orders of the Railroad Commission of California, p. 784), it appears that although the Commission in that proceeding authorized the Snow Mountain Water and Power Company to file its contracts with its various customers, including the contract with the town of Ukiah, and although the Commission stated that the contract with the town of Ukiah "requires no further consideration in this opinion," the town of Ukiah was not a party to the proceeding, and the Commission did not undertake to decide whether or not discrimination existed between these various consumers. The Commission simply authorized the Snow Mountain Water and Power Company to continue to serve electric energy to its various customers at the rates specified in the various contracts which were presented to the Commission. The Commission expressly stated that this conclusion was reached only on the "evidence now before the Commission." Neither the town of Ukiah nor any other customer of the Snow Mountain Water and Power Company was formally before the Commission in that proceeding, and no consideration was given by

the Commission to the question of discrimination as between the Snow Mountain Water and Power Company's various customers. It is clear that there is nothing in this Commission's decision in Application No. 83 to preclude the town of Ukiah from now raising the issue of discrimination or to preclude this Commission from now exercising jurisdiction thereover.

Defendant next contends that this Commission has no jurisdiction over the present proceeding, on the ground that the defendant makes its delivery of electric energy within the limits of the town of Ukiah, that the town has not elected to vote into this Commission its jurisdiction over public utilities, and that this Commission accordingly has no jurisdiction over the rates charged by defendant to complainant. This claim is based on the assumption that the town of Ukiah has the jurisdiction to establish the rates to be charged by defendant for electric energy delivered within the town to the town itself for distribution through its own municipal plant. This claim is presumably based on section 19 of article XI of the constitution of this State, as amended on October 10, 1911, providing in part that

"Persons or corporations may establish and operate works for supplying the inhabitants with such services (including the supply of electricity for light, heat and power) upon such conditions and under such regulations as the municipality may prescribe under its organic law, on condition that the municipal government shall have the right to regulate the charges thereof."

I desire to draw particular attention to the fact that the only charges which the municipality may regulate under this provision are the charges for service supplied by private persons or corporations to "the inhabitants" of the municipality. In this case the Snow Mountain Water and Power Company, hereinafter referred to as the Snow Mountain Company, supplies no electric energy to "the inhabitants" of the town. The Snow Mountain Company supplies its electric energy directly to the town. The inhabitants are supplied by the town through its own municipal plant and not by the Snow Mountain Company. If the defendant's claim is correct, it leads to the absurd conclusion that the town of Ukiah has the right to establish the price to be paid by the town itself for electric energy sold to the town by the Snow Mountain Company. In other words, power would be given to one of the parties to a contract to say for what price the other party would be obliged to sell its commodity. No such interpretation would be given to any constitutional or statutory provision unless there were no possible escape therefrom. As I have shown, the language of section 19 of article XI does not apply to a case in which the electric energy is sold to the town and not to the inhabitants thereof. Defendant has drawn attention to no other constitutional or statutory provision in support of the claim



that the town of Ukiah has the right to fix the price to be paid by it under its own contract, and I know of no such provision. As the town of Ukiah had no authority in the premises prior to March 23, 1912, it follows that the power to establish the rate in question and to determine the issue of discrimination, if it vests in any public authority in this State, vests in the Railroad Commission, as provided by section 23 of article XII of the constitution as amended on October 10, 1911, and by the Public Utilities Act, effective March 23, 1912.

I now come to the point of jurisdiction most strongly urged by defendant. Defendant claims that it has a contract with the town of Ukiah and that any action of this Commission resulting in a change in any of the terms of said contract will impair the obligation of said contract in violation of the provisions of section 10 of article I of the constitution of the United States and of section 16 of article I of the constitution of this State. A copy of the contract on which the defendant relies is annexed to its amended answer and marked "Exhibit A." This purports to be an agreement dated September 6, 1907, between the Snow Mountain Water and Power Company and the town of Ukiah providing, in part, that the company agrees to furnish and deliver to the town and the town to receive and pay for all the electric current which the town shall use or require for the period of ten years after date, provided that the company shall not be bound to furnish in excess of 500-horsepower per month, and provided that the town shall pay for at least 250-horsepower per month. This document provides that the company shall furnish the current at the low tension terminals or stepdown transformers to be located in the town plant, and that the current is to be furnished at 2,300 volts, 60 cycles and 3 phase. The company is to install at its own expense the necessary transformers to deliver the current and the necessary meters for measuring it. The town is to pay to the company each month at the rate of \$4.00 per horsepower, the number of horsepower to be the average of the highest 30 minutes reading during the month. The town is to pay the company at least \$1,000.00 for current delivered during each month, even though the current used by the town shall be less than 250-horsepower.

This issue with reference to the alleged impairment of contract rights presents the most important issue of law in this case.

At the outset we are met by the contention of the city attorney to the effect that no contract was ever entered into between the town of Ukiah and the defendant and that hence defendant's contention has no bearing on the facts of this case. The city attorney contends that the procedure specified by the Municipal Corporations Act for a contract of this kind was not followed, and that hence no contract ever arose. Sec-

tion 874 of the Municipal Corporations Act, referring to cities of the sixth class, reads in part as follows:

“In the erection, improvement and repair of all public buildings and works . . . and in furnishing any supplies or materials for the same, when the expenditure required for the same exceeds the sum of one hundred dollars, the same shall be done by contract and shall be let to the lowest responsible bidder, after notice by publication in a newspaper of general circulation, printed and published in such city or town, for at least two weeks . . . .”

At the hearing the city attorney read into evidence the complete proceedings taken by the town of Ukiah in connection with this matter, from which proceedings it appears that no bidding was provided for and that no notice was ever given. As the forms prescribed by law were not complied with, the city attorney's contention that this document is not the contract of the town of Ukiah is probably correct. It is unnecessary to refer to the uniform authorities to the effect that where a method has been prescribed under which alone a municipality may contract, that method must be followed if a valid contract is to be entered into.

However, it might be possible that a court of law would find some way of upholding this contract. In view of that possibility, I shall now consider the vital question of law in this case, which is whether or not this Commission has any power to take action with reference to this document, if it is a contract.

In Application No. 118, *James A. Murray and Ed Fletcher*, 2 C. R. C. Rep. 464, this Commission exhaustively discussed this general question. Nothing presented in this case leads me to believe that the Commission should change its view therein expressed. The fact that in this case the contract is with a city, and not with a private corporation or person, does not, in my opinion, change the rule. In order that this matter may be presented in this case to the parties, and that it shall not appear that the Commission has failed to consider the points of law raised by the defendant herein in support of its alleged contract and right to its continuance, I shall give a summary review of the authorities touching this question.

Since the decision of the United States Supreme Court in the case of *Munn vs. Illinois*, 94 U. S. 113, I believe there can be no doubt that the power of the State to supervise and regulate public utilities is based on the police power. Whenever the State supervises and regulates public utilities, in the establishment of rates, the removal of discriminations, the regulation of service, extensions and facilities, the supervision over the issues of securities or otherwise affecting the relationship between utilities and their customers, such action is taken under the

State's police power. See, also, Dillon on Municipal Corporations, fifth edition, section 1324, and the authorities there referred to.

It is also well established that no contract entered into by a public utility in a matter to which the State's police power extends can stand as against the exercise of that power.

In *Odd Fellows' Cemetery Association et al. vs. City and County of San Francisco*, 140 Cal. 226, the Supreme Court of this State says:

"It is the settled law that all property is held subject to the exercise of the police power, and that the provisions of the constitution forbidding laws impairing the obligation of contracts, and declaring that property shall not be taken without due process of law, have no application in such cases."

In *Chicago, Burlington and Quincy Railroad Co. vs. Nebraska*, 170 U. S. 57, it was held that a contract between the city of Omaha and two railroad companies providing for the building of a viaduct in Omaha at the expense of the railroad companies, though valid when made, was subject to the supervisory power of the legislature of Nebraska, which thereafter enacted a statute changing the terms of the contract with reference to the duty of keeping the viaduct in repair. Mr. Justice Shiras, in ruling against the claim of the railroads that this statute impaired the obligation of their contract, says, at page 72:

"Usually where a contract, not contrary to public policy, has been entered into between parties competent to contract, it is not within the power of either party to withdraw from its terms without the consent of the other; and the obligation of such contract is constitutionally protected from hostile legislation."

Referring then to the distinction between a contract between private individuals and a contract between public or quasi-public individuals or corporations, Mr. Justice Shiras continues:

"When, however, the respective parties are not private persons, dealing with matters and things in which the public has no concern, but are persons or corporations whose rights and powers were created for public purposes, by legislative acts, and where the subject-matter of the contract is one which effects the safety and welfare of the public, other principles apply. Contracts of the latter description are held to be within the supervising power and control of the legislature when exercised to protect the public safety, health and morals, and that clause of the federal constitution which protects contracts from legislative action can not in every case be successfully invoked. The presumption is that when such contracts are entered into, it is with the knowledge that parties can not, by making agreements on subjects involving the right of the public, withdraw such subjects from the police power of the legislature."

In *Manigault vs. Springs*, 199 U. S. 473, plaintiff contended that a certain contract by which the defendant had agreed with him to remove a certain dam over a navigable river had been impaired by a subsequent

act of the state legislature authorizing the defendant to erect and maintain a dam across this river. In deciding that the principle of the impairment of the obligation of a contract does not apply to the exercise by a state of its police power, the Supreme Court of the United States, at page 480, says:

"It is the settled law of this court that the interdiction of statutes impairing the obligation of contracts does not prevent the State from exercising such powers as are vested in it for the promotion of the common weal, or are necessary for the general good of the public, though contracts previously entered into between individuals may thereby be affected. This power, which in its various ramifications is known as the police power, is an exercise of the sovereign right of the government to protect the lives, health, morals, comfort and general welfare of the people, and is paramount to any rights under contract between individuals."

In *Knoxville Water Company vs. Knoxville*, 189 U. S. 434, the water company made the claim, among others, that an ordinance of the city of Knoxville establishing maximum rates for water impaired the company's contracts with its own consumers. In ruling against this claim, Mr. Justice Holmes, at page 438, says:

"But such contracts, of course, were made by it (the water company) subject to whatever power the city possessed to modify rates."

The city's power in this behalf was that portion of the State's police power in the premises which had been delegated by the State to the city.

In *Kentucky and Indiana Bridge Company vs. Louisville and Nashville Railroad Company*, 2 I. C. C. Rep. 102, Judge Cooley, at that time chairman of the Interstate Commerce Commission, said:

"If the legislature had no power to alter its police laws when contracts would be affected, then the most important and valuable reforms might be precluded by the simple device of entering into contracts for the purpose. No doctrine to that effect would be plausible, much less sound and tenable."

The most recent decision of the United States Supreme Court which I have been able to find bearing on this point, is the decision rendered on June 10, 1913, in *Portland Railway, Light and Power Company vs. Railroad Commission of Oregon*, 229 U. S. 397. The Railroad Commission of Oregon had found that discrimination existed in fares charged by the Portland Railway, Light and Power Company between Portland and Milwaukee as contrasted with the fare charged between Portland and Lents. The Commission accordingly reduced the fare between Portland and Milwaukee from ten cents to five cents, so as to remove the

discrimination. Mr. Justice Day, in rendering the decision of the Supreme Court upholding the Railroad Commission, says, at page 410:

"We see no reason why a state may not consistently with due process of law prohibit any unjust discrimination by a domestic railroad company against certain localities upon its line."

Referring then to the claim of the railroad that the discrimination was justified by reason of a contract which the railroad had entered into providing for a five cent fare between Portland and Lents, Mr. Justice Day, at page 412, continues as follows:

"The contract set up by which the fares from Lents were required to be not greater than five cents can not be held to justify the discrimination, as such contracts must be taken to have been made in view of the continuing power of the state to control the transportation of common carriers subject to its jurisdiction."

A forceful analogy is found in two cases recently decided by the Supreme Court of the United States under the so-called commerce clause of the federal constitution. In *Louisville and Nashville Railroad Company vs. Mottley*, 219 U. S. 467, decided February 20, 1911, it appeared that Thomas Mottley and wife had suffered personal injury by collision while traveling in 1871 over the line of the Louisville and Nashville Railroad Company. Thereupon, in consideration of a release of their claim for damages, the railroad company contracted to issue free passes to them during the remainder of their lives. On June 29, 1906, section 6 of the Interstate Commerce Act was amended so as to make it unlawful for any interstate carrier to transport any person for a greater or less or different compensation than any other person, with the exception of the limited classes referred to in section 1 of the act, within which classes the Mottleys did not come. The Mottleys thereupon sued the railroad to compel a specific performance of the contract. The Supreme Court of the United States held that although the contract was lawful when made, its further performance had been rendered unlawful by the amendment of the Interstate Commerce Act and that this was not a proper case for the application of the doctrine of the impairment of contract rights. While the inhibition against the impairment of contract rights contained in the constitution is directed to the states and not to the national government, it was nevertheless claimed in this case that the right to contract was one of the liberties of the citizen protected by the federal constitution. Referring to this point, Mr. Justice Harlan, at page 482, says:

"Does the act infringe upon the constitutional liberty of the citizen to make contracts? Manifestly not. In the *Addystone Pipe* case, 175 U. S. 228, the court said: 'We do not assent to the correctness of the proposition that the constitutional guaranty of liberty to the individual to enter into private contracts limits the

power of congress and prevents it from legislating upon the subject of contracts relating to interstate commerce . . . . Anything which directly obstructs and thus regulates that commerce which is carried on among the states, whether it is state legislation or private contracts between individuals or corporations, should be subject to the power of congress in the regulation of commerce.' ”

Referring to the fact that parties entering into contracts with carriers must be assumed to have done so in view of the possible subsequent exercise by the government of its powers to regulate the carriers, just as contracts entered into with public utilities in the various states must be held to have been entered into subject to the power of the states to act in the exercise of their police power, Mr. Justice Harlan says, at page 482 :

“The agreement between the railroad company and the Mottleys must necessarily be regarded as having been made subject to the possibility that, at some future time, congress might so exercise its whole constitutional power in regulating interstate commerce as to render that agreement unenforceable or to impair its value. That the exercise of such power may be hampered or restricted to any extent by contracts previously made between individuals or corporations is inconceivable. The framers of the constitution never intended any such state of things to exist.”

Just so it seems inconceivable that public utilities should be permitted to contract with their customers in such a way as to preclude the state from thereafter exercising its governmental power, inhering in it under its police power, of supervising and regulating its public utilities to the fullest extent deemed necessary.

Another strong analogy is found in *Armour Packing Company vs. United States*, 209 U. S. 56, in which case the defendant had been indicted for accepting a rebate from the regular published rates of the carriers. The defendants answered that prior to the amendment of the Interstate Commerce Act it had entered into a contract with the railroads by which contract the carriers had agreed to carry the commodities of the defendant at rates which were less than those which were subsequently established under the authority of the Interstate Commerce Act. At pages 80 and 81, Mr. Justice Day held, in accordance with the decision subsequently rendered in the *Mottley* case, *supra*, that no such contract could stand as against the power of the government subsequently to enact legislation regulating and supervising its interstate carriers.

Under the foregoing authorities, if the contract here in question had been entered into between a public utility and a private individual or corporation, there could be no doubt that such contract would have been subject to the police power of the State, and that the State would have

the right at any time to inquire into the reasonableness of the rates therein established or to direct the removal of discriminations or otherwise completely to supervise and regulate the utility.

The defendant, however, contends that a different rule applies in this case, for the reason that here the contract entered into by the public utility is with a municipality and not with a private person or corporation. If this contention is correct, the State's power to regulate public utilities is made to depend upon the character of the customer with whom they contract. If they contract with a private corporation or person, the State has the power to examine into the contract, while if they contract with a municipality, the State has no such power. In support of this contention, defendant relies on certain decisions of the Supreme Court of the United States, to which decisions more specific reference will hereinafter be made, holding that if a State has expressly authorized a municipality to contract away the State's power to regulate and supervise utilities and if the municipality thereafter enters into a contract in the exercise of this delegated power, both the municipality and the State will be bound thereby and that the State can not thereafter act in the premises. This claim of the defendant assumes the most vital question in this connection, which is whether or not the State of California has delegated to the town of Ukiah the power to contract away the State's right to supervise and regulate any public utility. As I shall now show, unless the State has expressly delegated this power to the town of Ukiah, the power remains vested in the State, which can exercise it at such times and to such extent as it may find to be necessary.

The leading case on this question is *Home Telephone and Telegraph Company vs. City of Los Angeles*, 211 U. S. 265, decided on November 30, 1908. This was a complaint by the telephone company for an injunction against the city of Los Angeles to prevent the city from enforcing certain ordinances establishing maximum rates for telephone service. The ordinance originally granting the franchise to the telephone company had prescribed a certain maximum rate which was higher than the rate which the city council thereafter undertook to establish by the ordinance which the telephone company tried to enjoin. The telephone company claimed that the later ordinance, establishing lower maximum rates, violated its contract with the city as expressed in the ordinance originally granting the company's franchise. The Supreme Court of the United States held that the State of California had not delegated to the city of Los Angeles the power to contract away the city's right, as agent of the State, to supervise and regulate the rates of the telephone company, and that consequently, as no binding contract establishing rates had been entered into, the case presented

was not one of the impairment of contract obligations. At page 273, Mr. Justice Moody says:

"The surrender, by contract, of a power of government, though in certain well defined cases it may be made by legislative authority, is a very grave act, and the surrender itself, as well as the authority to make it, must be closely scrutinized. No other body than the supreme legislature (in this case the legislature of the state) has the authority to make such a surrender, unless the authority is clearly delegated to it by the supreme legislature. The general powers of a municipality or of any other political subdivision of the state are not sufficient. Specific authority for that purpose is required."

Again, at page 273, he continues:

"It has been settled by this court that the state may authorize one of its municipal corporations to establish by an inviolable contract the rates to be charged by a public service corporation (or natural person) for a definite term, not grossly unreasonable in point of time, and that the effect of such a contract is to suspend, during the life of the contract, the governmental power of fixing and regulating the rates: *Detroit vs. Detroit Citizens' Street Railway Company*, 184 U. S. 368, 382; *Vicksburg vs. Vicksburg Water Works Company*, 206 U. S. 496, 508. But for the very reason that such a contract has the effect of extinguishing *pro tanto* an undoubted power of government, both its existence and the authority to make it must clearly and unmistakably appear, and all doubts must be resolved in favor of the continuance of the power." (Citing cases.)

Referring then to the clause in the charter of the city of Los Angeles authorizing the city to establish telephone rates, the court, at page 274, says:

"This is an ample authority to exercise the governmental power of regulating charges, but it is no authority to enter into a contract to abandon the governmental power itself. It speaks in words appropriate to exercise the governmental power of regulating charges, but it is no authority to enter into a contract to abandon the governmental power itself."

After analyzing the cases upon which the defendant in this proceeding relies, the court, at page 277, concludes:

"All these cases agree that the legislative authority to the municipality to make the contract must clearly and unmistakably appear. It does not so appear in the case at bar. The appellant has failed to show that the city had legislative authority to make a contract of exemption from the exercise of the power of regulation conferred in the charter. It therefore becomes unnecessary to consider whether such a contract in fact was made. The appellant's contention, that there was a violation of the obligation of its contract, must therefore be denied."



The same principles are established in the recent case of *Portland Railway, Light and Power Company vs. City of Portland*, 201 Fed. 119, decided on November 25, 1912. At page 125 of the Reporter, Mr. Justice Bean says:

“The authorities are agreed that the right to reasonably regulate rates to be charged by public service corporations is a governmental power, continuing in its nature, and, while it may be suspended in a given case by a contract for a definite time not grossly unreasonable in point of time (citing authorities), it can only be done by words of positive grant or language equivalent thereto, and then only by the supreme legislative body of the state, unless the authority to do so is clearly delegated by it to some governmental subdivision.”

In *State ex rel. Webster vs. Superior Court*, 67 Wash. 37, 120 Pac. 861, decided on January 27, 1912, it appeared that the city of Seattle in its franchise to the Independent Telephone Company, had purported to establish certain maximum rates for telephone service. Thereafter, after the creation of the State Public Service Commission, this commission established rates slightly higher than those mentioned in the franchise. The city of Seattle contended that the rates which it had prescribed were protected from state interference under the doctrine of impairment of contract obligations. The State thereupon requested and secured a writ of prohibition to prevent the city of Seattle from interfering with the rates which the Public Service Commission had established. The Supreme Court of Washington, after a careful review of the authorities, held that the city of Seattle had been granted no power to tie the hands of the state by establishing contract fares for street railroads and that the state had the right thereafter, through its Public Service Commission, to increase the fares established by the city. In reaching this conclusion, the court, at page 866 of the Reporter says:

“When the state is a party and it appears that there has been no express grant or waiver of its constitutional right to fix rates so as to give an ordinance the force of a contract binding upon the state (granting that under our constitution this could be done), it can not be held as a matter either of law or policy that a franchise, such as the one now under consideration, is a contract binding upon the state of Washington.”

Continuing, the court says:

“Such contracts when entered into without express legislative authority, are permissive only, and subject to the sovereign power of the state, and do not partake of the quality of contracts as that term is employed in the contract clause of the federal constitution.

Instances of a contract valid between the parties, but held to be abrogated by the subsequent exercise of the police power of the state were treated in *L. & N. R. Co. vs. Mottley*, 219 U. S. 467 and in *C. I. & L. Ry. Co. vs. U. S.*, 219 U. S. 486 (the free pass decisions)."

In *City of Manitowoc vs. Manitowoc and Northern Traction Company*, 145 Wis. 17, 129 N. W. 925, decided on January 31, 1911, the city of Manitowoc asked for an injunction to prevent the local street railway company from increasing its rates. The street railway company relied on the creation of the new State Railroad Commission as abrogating the rates which had been established by the city in the company's franchise and was about to increase its rates at its own pleasure. The court held that the enactment of the railroad commission law did not in and of itself abrogate existing rates established by municipal franchise, but that such rates would remain until the Railroad Commission should take affirmative action changing them. In reaching this conclusion the court, at page 930 of the Reporter, says:

"It is only when the right is very clearly conferred that the state will be held to have relinquished its power to enact laws regulating tolls. (Citing cases.)

"No specific authority having been conferred on the city to enter into the contract in question, the right of the state to interfere whenever the public weal demanded was not abrogated. The contract remained valid between the parties to it until such time as the state saw fit to exercise its paramount authority, and no longer. To this extent and to this extent only is the contract before us a valid subsisting obligation."

To the same effect as the preceding authorities see:

*Freeport Water Company vs. Freeport City*, 180 U. S. 587;

*Rogers Park Water Company vs. Fergus*, 180 U. S. 624;

*Knoxville Water Company vs. Knoxville*, 189 U. S. 434;

*State vs. Wyandotte County Gas Company*, 88 Kan. 165, 127 Pac. 639, affirmed by the Supreme Court of the United States on January 5, 1914, in *Wyandotte County Gas Company vs. State of Kansas*, 231 U. S. 622.

From the foregoing authorities it appears that unless the State of California has expressly delegated to the town of Ukiah the power to contract away the State's right to regulate and supervise the rates of the Snow Mountain Water and Power Company, the town had no power to enter into a contract so as to preclude the State from thereafter exercising its power. The only delegations of power on which defendant

relies are those contained in section 862, subsections 2, 13 and 17 of the Municipal Incorporation Act (Statutes 1903, page 93), reading as follows:

“The board of trustees of said city shall have power—

(2). To purchase, lease or receive such real and personal property as may be necessary or proper for municipal purposes.

(13). To acquire, own, construct, maintain and operate street railways, telephone and telegraph lines, gas and other works for light and heat

(17). To do and perform any and all other acts and things necessary or proper to carry out the provisions of this act.”

It will be noted that no power to contract is directly conferred by any of these sections. While the power to contract for a supply of gas or electricity to be distributed through the city's municipal gas or electric works is probably conferred by implication in subsection 13, it would be going beyond any authority to which we have been referred to say that from this implied power to contract for supplies there should be further implied the additional power to contract away the State's right under the police power to regulate and supervise public utilities. As the authorities hereinbefore quoted show, no such power will be held to have been delegated to a municipality unless it has been expressly delegated in language which is free from doubt. If it had been intended to confer upon the town of Ukiah the power to contract away the State's police power, it would have been necessary to use apt language to that end. All that the State did in the premises was to confer upon the town of Ukiah the same right which any individual or private corporation has to enter into a contract with a public utility for the service of its products, subject, of course, to the continuing governmental power of the State to regulate and supervise all such arrangements.

The authorities upon which the defendant relies do not support its contention. The cases of *Vicksburg vs. Vicksburg Water Works Company*, 206 U. S. 496, *Detroit vs. Detroit Citizens' Street Railway Company*, 184 U. S. 368, *Cleveland vs. Cleveland City Railway Company*, 194 U. S. 517, and *Los Angeles vs. Los Angeles City Water Company*, 177 U. S. 558, are all disposed of by the Supreme Court of the United States in the later case of *Home Telephone and Telegraph Company vs. Los Angeles*, *supra*. In the *Home Telephone* case, the Supreme Court analyzes each of these cases and shows that in each of them the State had either expressly authorized the city to contract away its police power or had later passed a statute ratifying and confirming an attempt of the

city to enter into such contract. In *Minneapolis vs. Minneapolis Street Railway Company*, 215 U. S. 417, the legislature of Minnesota passed a later statute specifically ratifying and confirming an ordinance granting a franchise to a street railway and providing for a five cent fare. The court held that "the ratifying act, being within the power of the legislature, vested this contract right in the company, notwithstanding the want of power in the city to make it at the time it was entered into." There is no contention in this case that the legislature has undertaken to ratify and confirm any action of the town of Ukiah in purporting to contract away any power of the State in the premises.

The cases of *McBean vs. City of Fresno*, 112 Cal. 159, and *Doland vs. Clark*, 143 Cal. 176, do not assist the defendant, for the reason that in those cases the city had the power to enter into the kind of contract there involved, whereas no such power appears in this case.

Under the foregoing authorities I see no escape from the conclusion that the town of Ukiah had no power to contract away the right of the State of California to supervise and regulate the affairs of the Snow Mountain Company, that the State still has this power and that such contract, if any, as may have been made in the premises is clearly subject to the power of the State and of its agent, the Railroad Commission, as provided by the Public Utilities Act.

I come now to the issue of fact involved in this proceeding and to the determination of the question whether any discrimination is shown.

Section 19 of the Public Utilities Act reads as follows:

"No public utility shall, as to rates, charges, service, facilities or in any other respect, make or grant any preference of advantage to any corporation or persons or subject any corporation or persons to any prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities or in any other respect, either as between localities or as between classes of service. The commission shall have the power to determine any question of fact arising under this section."

That this section applies to rates established before the effective date of the Public Utilities Act as completely as to those thereafter established is clear from the authorities hereinbefore referred to.

The town of Ukiah now contends that the defendant discriminates against the town in the price charged for electrical energy supplied, and particularly in comparison with the rate of one cent per kilowatt hour accorded by defendant to Cloverdale Light and Power Company, the Napa Valley Electric Company and the Mount Konocti Light and

Power Company. In order to determine this issue of discrimination it becomes necessary to examine the facts surrounding these various contracts or agreements.

Snow Mountain Water and Power Company was incorporated on February 13, 1906. At that time, a company known as the Eel River Power and Irrigation Company had secured water rights on South Eel River, commenced clearing the Cape Horn reservoir site, near Potter Valley, Mendocino County, and had done certain work preparatory to constructing a dam in Gravelly Valley, at a much better site than Cape Horn. It having been ascertained that much additional capital would be necessary to complete the Gravelly Valley project, the Snow Mountain Company was incorporated. All the properties of the Eel River Company were transferred to the Snow Mountain Company. The Snow Mountain Company thereafter constructed a power house in Potter Valley and a transmission line therefrom in a general southerly direction through Potter Valley, Talmage, Cloverdale, Asti and Healdsburg to Santa Rosa. A branch transmission line runs from Fulton east to St. Helena in Napa County.

The customers served by the Snow Mountain Company, beginning at the power house and going south, are as follows: Town of Center-ville, Mendocino State Hospital, Town of Ukiah City, California Telephone and Light Company, Mount Konocti Light and Power Company, Cloverdale Light and Power Company, Napa Valley Electric Company and Pacific Gas and Electric Company.

The four customers referred to by complainant in support of its claim of discrimination are Town of Ukiah, Cloverdale Light and Power Company, Napa Valley Electric Company and Mount Konocti Light and Power Company.

The alleged contract with the town of Ukiah was entered into on September 6, 1907. Its term is ten years after the date on which the Snow Mountain Company should commence to deliver current thereunder. Delivery began on or about April 1, 1908. As hereinbefore stated, the town agreed to pay \$4.00 per horsepower for a minimum of 250-horsepower each month. In other words, the town must in any event pay \$1,000.00 each month.

The monthly consumption, demand and load factor of the town of Ukiah City and the amount of monthly bill and rate per kilowatt hour showing deviations from the provisions of the contract are shown in the following table for seventeen months ending November 30, 1913:

TABLE I.

Year and month	Maximum demand		Consumption	Load factor	Monthly bill		Rate per kilowatt hour	
	Actual	Billed			Contract	Rendered	Contract	Billed
1912								
July -----	335.57	250	82,842	45.3	\$1,342 28	\$1,000 00	Cents 1.620	Cents 1.210
August -----	268.09	250	90,471	61.8	1,072 36	1,000 00	1.185	1.110
September -----	317.70	250	70,294	40.6	1,270 80	1,000 00	1.807	1.420
October -----	301.61	250	79,610	48.4	1,206 44	1,000 00	1.515	1.250
November -----	288.20	250	54,660	34.8	1,152 80	1,000 00	2.109	1.830
December -----	301.61	250	56,203	34.2	1,206 44	1,000 00	2.146	1.780
Totals			434,080		\$7,251 12	\$6,000 00		
Averages --	302.13	250	72,346	44.2	1,208 52	1,000 00	1.709	1.382
1913								
January ---	194.37	250	50,044	47.7	\$1,000 00	\$1,000 00	1.998	1.990
February ---	201.07	250	46,053	42.1	1,000 00	1,000 00	2.171	2.170
March -----	201.07	250	46,300	42.2	1,000 00	1,000 00	2.159	2.160
April -----	194.37	250	40,804	38.6	1,000 00	1,000 00	2.450	2.440
May -----	301.61	250	60,691	36.9	1,206 44	1,000 00	1.987	1.640
June -----	308.30	250	76,990	45.8	1,233 20	1,000 00	1.602	1.290
July -----	317.89	250	94,295	54.4	1,271 56	1,000 00	1.348	1.060
August -----	301.61	*299.58	95,105	57.9	1,206 44	*1,198 32	1.288	1.260
September ---	332.44	*328.28	92,755	51.2	1,329 76	*1,317 12	1.433	1.420
October -----	296.25	*295.29	84,165	52.1	1,185 00	*1,180 35	1.403	1.403
November ---	301.61	*301.57	67,845	41.3	1,206 44	*1,206 28	1.780	1.778
December ---	*315.65	*315.65	*69,763	*40.6	*1,262 60	*1,262 60	*1.810	1.810
(Est.)								
Totals			824,810		\$13,901 44	\$13,164 67		
Averages --	272.18	274.28	68,734	45.8	1,158 45	1,097 05	1.685	1.596

\*Estimated from rate billed and monthly consumption.

\*Estimated on basis of rates, demand and consumption in November and December, 1912.

The average price actually paid by the town of Ukiah City from July 1, 1912, to July 1, 1913, was 1.589 cents per kilowatt hour.

The contract with the Cloverdale Light and Power Company was entered into on October 23, 1911. The rate is 1 cent per kilowatt hour, independent of load factor, and a minimum payment of \$400.00 per month is provided for. This minimum is regularly exceeded.

The contract with the Napa Valley Electric Company was entered into in June, 1909. The present rate was established by this Commission in its decision of October 18, 1912, in Application No. 83, on a sliding scale, beginning with 1.25 cents per kilowatt hour up to and including a 16½ per cent load factor and running down to 1 cent per kilowatt hour for a 33 per cent load factor and over. From the best information available, it would seem that the rate actually paid in 1913 averaged about 1.036 cents per kilowatt hour.

The contract under which the Mount Konocti Light and Power Company operates was originally made with J. L. Davis and J. A. Foster

and is dated March 3, 1911. Under this contract the consumer enjoyed a rate of .6 cents to March, 1913, subsequent to which time the rate has been 1 cent per kilowatt hour, independent of load factor, with a minimum of \$200.00 per month.

The following table shows the consumption in kilowatt hours for the year ending June 30, 1913, and the average price paid per kilowatt hour for each of these four consumers:

TABLE II.

	Total consumption	Average rate
	Kilowatt hours	Cents
Town of Ukiah .....	754,962	1.509
Cloverdale Light and Power Company.....	767,606	1.000
*Napa Valley Electric Company.....	330,438	1.0357
*Mount Konocti Light and Power Company.....	123,109	.89

\*Estimated from average for July, August, September, October and November, 1913.

I desire to draw attention particularly to the fact that while the consumption of the town of Ukiah City was practically the same as that of the Cloverdale Light and Power Company, the town paid 159 per cent of the rate paid by the Cloverdale company.

The following table shows the average rate per kilowatt hour for 1913, and the apparent discrimination before making allowance for different physical conditions:

TABLE III.

Consumer	Average rate per kilowatt hour paid in 1913	Apparent discrimination at average rate, 1913
	Cents	Cents
*Napa Valley Electric Company.....	1.0357	.000
*Mount Konocti Light and Power Company.....	1.1193	+ .0836
Cloverdale Light and Power Company.....	1.00	— .0357
Town of Ukiah.....	1.596	+ .5603

\*Estimated from average for July, August, September, October and November, 1913.

\*Rate to March 1, 1913, was .6c and thereafter 1c with minimum of \$200.00 per month. December consumption estimated by comparison with 1912.

In order to determine to what extent, if at all, discrimination actually exists, it will be necessary to consider the circumstances and conditions surrounding the delivery of electric energy to these various consumers.

Defendant claimed that prior to the time the town of Ukiah City began taking electric energy from the Snow Mountain Company, the town was selling electricity to its inhabitants from the municipal plant for 15 cents per kilowatt hour and that after service from the Snow Mountain Company began the rate was reduced to 10 cents. The evidence shows that this claim was not correct. Prior to the advent

of the Snow Mountain Company, the town was selling electric energy for 10 cents for the first 100 kilowatt hours, 7½ cents for the next 100 kilowatt hours and 5 cents for all over 200 kilowatt hours. After the arrangement with the Snow Mountain Company was entered into, the rate was raised to 12 cents, at which price it remained from June, 1907, to July, 1908. In July, 1908, the price was reduced to the present rate of 10 cents per kilowatt hour. Defendant then urges that the municipal plant was costly to the city, that the service was poor and that the city improved its financial condition by making the arrangement with the Snow Mountain Company. While these considerations naturally weighed heavily with the town, it goes without saying that they do not justify the utility in charging more than a reasonable rate or in discriminating against the town.

It is also urged that the enterprise of the Snow Mountain Company was initiated largely upon the strength of the promise of the town trustees that they would sign up a ten-year contract to take electric energy from the company, and the defendant has gone so far as to claim that the investment of \$1,300,000.00 has been made on the strength of this one contract. The evidence shows that the investment contemplated when the negotiations with the town trustees commenced in 1904, was a relatively small project which would hardly have cost more than \$200,000.00 and that the larger project was conceived considerably later. Senator Felton, the company's president, testified very frankly that he and his friends had invested their money not merely on the strength of this one contract, but in the hope of securing all the contracts which defendant has now made and of securing additional business which so far has not materialized. Entirely irrespective of these considerations, however, a public utility has no right to tie up one customer to a high rate and then proceed to sell its commodity to subsequent customers under substantially similar conditions at lower rates. The customer who first enters into an agreement has the right to expect that he will thereafter be treated with the utmost good faith and that if the utility later supplies its service to other customers at lesser rates, the first customer will receive the benefit of the reductions. Any other policy must result in the discriminations which it is the policy of public utility laws to prevent.

I shall now address myself to the different physical conditions surrounding the delivery of electric energy to the four customers whom we are considering.

The Cloverdale Light and Power Company receives delivery at Asti and the Mount Konocti Light and Power Company near Hopland, directly from the Snow Mountain Company's transmission line. The



energy in each case is metered on the secondary side of the transformer, so that transformer losses are incurred before the meter reading is obtained. The substation and the transmission lines are owned by the consumer in each case. The Napa Valley Electric Company also owns the transformers, substation and transmission or distributing lines therefrom. This company receives delivery at St. Helena but, unlike the two preceding companies, its energy is metered on the high side of the transformer. In other words, the Napa Company suffers the transformer loss, while in the other two cases the Snow Mountain Company suffers the loss.

The town of Ukiah City receives its energy in its own substation located within the municipal limits. The Snow Mountain Company has constructed a substation and transformers at a point on its main transmission line called Talmage and from this point has built a 2,300 kilowatt transmission main a distance of three miles and one hundred feet to the town's substation, at which point the town takes delivery. It is at once evident that the Snow Mountain Company has thus incurred capital expenditures to serve the town of Ukiah City in excess of those incurred to serve the other three customers with whom comparison is being made. To ascertain whether discrimination is being practiced against the town, it becomes necessary to ascertain what additional investment, depreciation, and operating and maintenance expenses are chargeable to the service to the town.

The Talmage substation was originally constructed to serve Ukiah alone. Subsequently the Mendocino State Hospital load was taken on and fed from this station. While the California Telephone and Light Company is also supplied from this substation, the amount of energy delivered to this company is very slight and the arrangement is only temporary. Hence the cost of the transformers, building, land, switchboard, high tension switching equipment and arrestors will be charged to Ukiah and the State Hospital alone. A transformer capacity of 450 kilowatts was installed to meet Ukiah's maximum permissible demand of 500 horsepower. The State Hospital's maximum demand up to November, 1913, has been 46 kilowatts and the contract is based on a demand of 50 horsepower. Accordingly, the segregation will be made on the basis of eight ninths to Ukiah and one ninth to the hospital.

The following table shows the total cost of the Talmage substation and other investment to serve Ukiah, with the necessary segregations, and also the estimated allowance for depreciation on Ukiah's share.

Complainant has agreed to an allowance of 8 per cent for interest on the investment.

TABLE IV.

## Talmage Substation and Other Investment to Serve Ukiah, with Depreciation.

Item	Total cost	Ukiah pro rata	Mendocino State Hospital	Depreciation	
				Rate, per cent	Amount, Ukiah
Realty .....	\$100 00	\$88 90	\$11 10	0	-----
Building switchboard and meters .....	2,852 84	2,359 20	493 64	3	\$70 78
Transformers .....	4,335 75	3,855 00	480 75	5	192 75
High tension switching equipment .....	700 00	622 20	77 80	6	37 33
Lightning arrestors .....	350 00	311 10	38 90	6	18 67
Total substations .....	\$8,338 59	\$7,236 40	\$1,102 19	-----	\$319 53
Poles and fixtures .....	480 00	480 00	-----	8	38 40
Conductors .....	2,840 15	2,840 15	-----	2	56 80
Total line .....	\$3,320 15	\$3,320 15	-----	-----	\$95 20
Regulator .....	1,000 00	1,000 00	-----	5	50 00
Graphic meter .....	100 00	100 00	-----	6	6 00
Grand total .....	\$12,758 74	\$11,656 55	\$1,102 19	-----	\$470 73
Depreciation annuity chargeable to Ukiah .....	-----	-----	-----	-----	470 73
Interest on Ukiah investment at 8 per cent .....	-----	-----	-----	-----	932 52
Total fixed charges .....	-----	-----	-----	-----	\$1,403 25

Operating expenses directly chargeable to the transmission main to Ukiah are \$61.00 annually for stubbing the pole line. Twenty-five per cent of one lineman's time, amounting to \$360.00 annually, should also be allowed. A pro rata of the general expenses is also properly chargeable to the excess investment to serve Ukiah. It seems fair to apply to the general operating expenses the ratio which the excess Ukiah investment bears to the total investment. On the basis of operating expenses, exclusive of taxes, interest and depreciation, reported by the company for 1912 as \$35,569.33, an excess investment for Ukiah of \$11,656.35 and a total investment reported by the company of \$1,327,749.72, the amount chargeable to Ukiah under this head will be \$312.25 per annum as against the amount of \$100.00 claimed by the company. This gives an annual expense for operation and maintenance of \$733.25 and a total expense chargeable annually to the excess investment to serve Ukiah amounting to \$2,136.50.

The following table shows in summary form the general conclusions herein reached as to discrimination:

TABLE V.

Total additional cost per annum to serve Ukiah as compared with Napa Valley Electric Company, Cloverdale Light and Power Company and Mount Konocti Light and Power Company.....	\$2,136 50
Total consumption of Ukiah, 1913 (December consumption estimated)	824,810 kwh
Additional cost per kilowatt hour to serve Ukiah on 1913 basis, including estimated losses and taxes.....	Cents per kilowatt hour 2959
Actual difference between Ukiah rate as billed and Napa Valley Electric Company estimated average rate on 1913 basis.....	5603
Ditto, at Ukiah average load factor for 1913.....	5960
Actual difference between Ukiah contract rate and Napa Valley Electric Company estimated average rate for 1913.....	6493
Ditto, at Ukiah average load factor for 1913.....	6850
Excess charged to Ukiah as billed on 1913 basis.....	2644
Ditto, at Ukiah average load factor for 1913.....	3001
Excess charge of Ukiah contract rate on 1913 basis.....	3534
Ditto, at Ukiah average load factor for 1913.....	3891
Actual difference between Ukiah rate as billed and rate paid by Mount Konocti Light and Power Company on 1913 basis (December consumption estimated in both cases).....	4767
Actual difference between Ukiah contract rate and rate paid by Mount Konocti Light and Power Company on 1913 basis.....	5657
Actual difference between Ukiah rate as billed and rate paid by Cloverdale Light and Power Company on 1913 basis.....	5960
Actual difference between Ukiah contract rate and rate paid by Cloverdale Light and Power Company on 1913 basis.....	6850
Actual excess charged to Ukiah on 1913 basis compared with Cloverdale and Mount Konocti rates, considering Ukiah's load factor and assuming the same transformer losses in each case.....	3168
Ditto, on basis of Ukiah contract rate.....	4058

I find as a fact that Snow Mountain Water and Power Company has established and is maintaining an unreasonable difference in rates in favor of the Cloverdale Light and Power Company, the Mount Konocti Light and Power Company and the Napa Valley Electric Company and against the town of Ukiah City. This discrimination should be removed. A discrimination in rates can be removed either by increasing the lower rate or lowering the higher rate. While I do not desire at the present time to indicate to the Snow Mountain Company which method to pursue, I desire to draw the company's attention to the fact that it can not increase a rate without having first secured the Commission's consent as required by section 63a of the Public Utilities Act. If the company wishes to request this Commission to revise all its rates, so as to remove all discriminations and establish just and reasonable rates, the Commission will entertain such an application.

I submit the following form of order:

## ORDER.

A public hearing having been held in the above entitled proceeding, on amended complaint and amended answer, and the case having been

submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that Snow Mountain Water and Power Company has established and is maintaining an unreasonable difference as to rates and charges in favor of Cloverdale Light and Power Company, Mount Konocti Light and Power Company and Napa Valley Electric Company and against the town of Ukiah City.

Basing its order upon this finding and on the other findings which are contained in the opinion which precedes this order,

*It is hereby ordered* that Snow Mountain Water and Power Company be and the same is hereby directed to cease such unreasonable difference as to said rates and charges and to present to the Railroad Commission within thirty days from the service of this order a plan for the elimination of said unreasonable difference.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.

---

DECISION No. 1310.

ELON DUNLAP

vs.

DIAMOND RIDGE DITCH COMPANY.

---

Case No. 528.

*Decided February 28, 1914.*

---

Complainant alleges that defendant's irrigation ditch from which he receives water is not in condition to give satisfactory service during the coming irrigation season.

*Held.* Defendant directed to file within fifteen days, for the approval of the Commission, plans for the repair of said system.

*Elon Dunlap, in propria persona.*

*C. E. Peters, for Defendant.*

---

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner.*

Defendant owns and operates a water distributing system in the county of El Dorado, which comprises a conduit of flume and ditch about thirty-five miles in length. This ditch or conduit was built about

1851 for the purpose of providing water for mining operations. Of recent years mining has declined, and there has grown up a comparatively small use of the water from the ditch for irrigation purposes.

Complainant is one of the users of water from this ditch for irrigation purposes, and he complains that the ditch is out of repair to such an extent as to endanger his supply of water.

The evidence shows that this ditch system obtains its supply of water from the Cosumnes River and Camp Creek, and that these sources vary in the quantity of water supplied according as the year is one of plentiful or scant rainfall. However, the evidence shows that there has been no serious failure of water in this ditch system for several years past, except in 1913, when complainant and others failed to receive water in August of that year.

While the evidence is rather meager on the subject, I am convinced that the failure of water in 1913 was almost wholly caused by the small quantity of water in the Cosumnes River and Camp Creek.

However, it is apparent that the flumes and some parts of the ditch in this system were in a leaky condition in 1913, and still are in such condition, and that in order to insure a supply of water through the ditch for the coming irrigation season, which will begin in July, repairs to the flumes and ditch are necessary.

The amount of water now being used, and which would probably be used from this ditch system in the near future for irrigation, is comparatively small, and any possible income that might be derived from the delivery of water from this ditch would not justify the reconstruction thereof. Furthermore, it is declared by defendant that it is the purpose of the company to construct a wholly new impounding and irrigation system which will supersede the present ditch, in which event, of course, the cost of the reconstruction of this ditch would be lost.

Defendant announced at the hearing that it was intended to repair this ditch so as to provide for the irrigation season of 1914, and while there is no reason to doubt the good faith of this company in this respect, I believe this Commission should require the immediate submission for its approval of plans for such repair, and I therefore recommend the following order:

#### ORDER.

Complaint having been made by Elon Dunlap against the Diamond Ridge Ditch Company involving the service of water by said defendant to said complainant, and a public hearing having been had on said complaint, and the Commission being fully advised in the premises, it is hereby found as a fact that the ditches and flumes comprising the water distribution system of defendant are out of repair and not in good con-

dition, and that in order to safely furnish water through said system, repairs to the same are necessary, and basing its order upon this finding of fact,

*It is hereby ordered* by the Railroad Commission of the State of California that Diamond Ridge Ditch Company do, within a period of fifteen days from the date of this order, submit for the approval of the Commission a plan or scheme for the repair of the flumes and ditches comprising said water distribution system, and that upon the submission and approval of such plan, a supplemental order be made herein ordering said defendant to carry out such plan or scheme of repair.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of February, 1914.

---

Decisions Nos. 1311 and 1312, grade crossings; not printed. See end of volume.

DECISION No. 1313.

IN THE MATTER OF THE APPLICATION OF PITT RIVER  
POWER COMPANY FOR PERMISSION TO ISSUE PRE-  
ferred STOCK.

---

Application No. 693.

*Decided March 2, 1914.*

---

Supplemental order authorizing applicant to issue \$15,000.00 par value of stock in addition to \$60,000.00 par value heretofore authorized to sell same at not less than 80, and to use the proceeds thereof for the construction of a hydroelectric system at Burney Falls.

REPORT OF THE COMMISSION.

SUPPLEMENTAL ORDER.

LOVELAND, *Commissioner.*

This Commission having, on January 7, 1914, made its order authorizing applicant to issue preferred stock of the par value of \$60,000.00 so as to net applicant the par value thereof, the proceeds derived from the sale of said stock to be used in the construction of applicant's hydroelectric system at Burney Falls, said stock to be issued, however, only upon certain conditions specified in said order; and applicant having now filed a supplemental application stating that it is unable to sell said stock at par and requesting authority to issue \$75,000.00 par value of its preferred stock at 80, in lieu of \$60,000.00 par value of stock at par;

*It is hereby ordered* that Pitt River Power Company be and it hereby is authorized to issue its preferred stock of the par value of \$15,000.00, in addition to the stock heretofore authorized to be issued by this Commission's order heretofore made in the above entitled proceeding on January 7, 1914, upon the following conditions and not otherwise, to wit:

(a) The stock herein authorized to be issued, and also the preferred stock of the par value of \$60,000.00 heretofore authorized for the purpose of constructing applicant's hydroelectric system at Burney Falls, shall be issued so as to net applicant not less than 80 per cent of the par value thereof.

(b) In all other respects, the Commission's order in this proceeding of January 7, 1914, shall stand and apply to the additional stock, of the par value of \$15,000.00, herein authorized to be issued.

The foregoing supplemental order is hereby approved and ordered filed as the supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of March, 1914.

---

DECISION No. 1314.

IN THE MATTER OF THE APPLICATION OF THE GLENDALE  
AND EAGLE ROCK RAILWAY COMPANY FOR AUTHOR-  
ITY TO DISCONTINUE THE SALE OF COMMUTATION  
TICKETS.

Application No. 738.

*Wm. T. Blakeley*, for Applicant.

*Hartley Shaw*, for City of Glendale.

*P. S. McNutt*, for Intervenor.

IN THE MATTER OF ESTABLISHING A THROUGH ROUTE  
AND JOINT RATES BETWEEN GLENDALE AND LOS  
ANGELES FOR THE GLENDALE AND EAGLE ROCK RAIL-  
WAY COMPANY AND THE LOS ANGELES RAILWAY  
COMPANY.

---

Case No. 486.

*Decided March 2, 1914.*

---

*Held.* Commission's investigation in the matter of through route and joint rates between the Glendale and Eagle Rock Railway and the Los Angeles Railway, dismissed.

*Held*, Application of the Glendale and Eagle Rock Railway Company to discontinue the sale of 50-cent twenty-ride commutation tickets except to persons under the age of 18, and to collect a regular one-way fare of 5 cents, granted.

*S. M. Haskins*, for Los Angeles Railway Company.

*Wm. T. Blakeley*, for Glendale and Eagle Rock Railway Company.

*Hartley Shaw*, for City of Eagle Rock.

#### REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

Application No. 738, heard September 25, 1913, is an application of the Glendale and Eagle Rock Railway Company, under section 63 of the Public Utilities Act, to discontinue sale of twenty-ride commutation tickets between Glendale (Broadway and Brand) and Eagle Rock (Central avenue), now being sold at 50 cents, or  $2\frac{1}{2}$  cents per trip, and to substitute therefor a regular fare of 5 cents for each trip, except to persons under the age of 18 years, and for such persons to charge a half fare or  $2\frac{1}{2}$  cents per trip.

At the hearing of this application, it developed that, at the time applicant built its road, it received certain concessions from the people of Eagle Rock, Glendale, and in territory contiguous to the road, in the shape of rights of way and cash contributions to assist it in building the road; that such cash contributions and free rights of way were given by the people and accepted by the Glendale and Eagle Rock Railway Company upon the express understanding that the fare to Los Angeles from Third street and Glendale avenue, in the city of Glendale, should never exceed 15 cents for a single trip or 25 cents for a round trip, with customary transfer privileges.

At the hearing the city of Eagle Rock asked for and was given permission to intervene in opposition to the granting of the application, basing its opposition upon the agreement, as above set forth, and asking that no adjustment of rates should be made which would result in a greater charge than that agreed upon at the time the road was built.

Witnesses for applicant testified that at the time the road was built it was believed that through route and joint rates could be established with the Los Angeles Railway Company by which a one-way fare of 15 cents, or a round trip fare of 25 cents, could be maintained without applicant having to stand all of the shrinkage in rates, but that after applicant's road was built it was found impossible to make such arrangements with the Los Angeles Railway Company.

This testimony led the Commission to withhold judgment in the matter of Application No. 738, and to institute an investigation as to the matter of through route and joint rates between the Glendale and Eagle Rock Railway Company and the Los Angeles Railway Company.



This investigation was held on December 1, 1913, and the matter of through route and joint rates gone into, with the result that the Commission found no reason for or justice in establishing such through route and joint rates, it being apparent that the Los Angeles Railway Company was not receiving more than reasonable returns for service rendered on its line to Glendale, and could not, therefore, reasonably be requested to shrink its rates.

I find as a fact, therefore, that through route and joint rates between the Glendale and Eagle Rock Railway Company and the Los Angeles Railway Company are impracticable, and recommend that the investigation by the Commission under Case No. 486 be dismissed.

I will now consider Application No. 738 and the effect which the granting of this application would have on the one-way and round trip fares between Los Angeles, Eagle Rock and Glendale.

The one-way fare of the Los Angeles Railway Company between Los Angeles and Eagle Rock is 10 cents, but a thirty-ride commutation book is sold between the same points for \$1.50, or 5 cents per trip. Single fare of the Glendale and Eagle Rock Railway Company is 5 cents, but a twenty-ride commutation ticket is sold for 50 cents, or  $2\frac{1}{2}$  cents per trip; thus the one-way fare from points on the Glendale and Eagle Rock Railway to Los Angeles, via Eagle Rock and the Los Angeles Railway Company's line, is 15 cents to people not holding commutation tickets and  $7\frac{1}{2}$  cents per trip to those riding on commutation tickets.

It is apparent, therefore, that if the application is granted, the agreement made by the Glendale and Eagle Rock Railway Company with the people at the time this road was built, that the round trip fare to Los Angeles should never be more than 25 cents, will not be maintained, so far as passengers paying one-way fare of 15 cents are concerned, which, however, is exactly the situation as to those passengers to-day.

The only passengers who now ride for 25 cents round trip, or less, are those who use commutation tickets, and the situation will not be changed if the application is granted.

Intervenor has claimed and sought to show that the agreement as to a 15-cent one-way or 25-cent round trip fare to Los Angeles, on the strength of which free rights of way and cash contributions were given to help build the road, was binding on the Glendale and Eagle Rock Railway Company, and that it would be an impairment of the rights of contract for this Commission to abrogate said agreement.

I do not regard it as necessary to dwell at great length on this subject, as this Commission has frequently held, and is supported by authorities in such holding, that it is not bound by contracts of this kind. The duty is laid upon the Commission of seeing that the public gets adequate

service at reasonable rates, but a similar obligation is on the Commission to see that public utilities receive fair and just returns for such adequate service.

I consider this principle so justly and thoroughly established that citations in support thereof are unnecessary in this opinion and order, but, in order to facilitate investigation as to the justness and soundness of this principle, will refer to two comprehensive and exhaustive opinions of this Commission, namely, Application No. 118—*In the matter of the application of James A. Murray and Ed Fletcher for an order authorizing and permitting an increase in the rentals, tolls and charges for water furnished by them and service rendered by them in furnishing water in the county of San Diego, State of California*; and Case No. 483—*The Town of Ukiah vs. Snow Mountain Water and Power Company*. Such a contract or agreement as is under consideration herein unquestionably can not be enforced against the Glendale and Eagle Rock Railway Company unless it can be shown that the rates of that company will yield fair and reasonable returns, notwithstanding any shrinkage of such rates necessary to maintain the 15-cent one-way and 25-cent round trip fares agreed upon.

If the contention of intervenor were correct, a ridiculous condition might arise. For example, if the Los Angeles Railway Company charged 25 cents or 30 cents for a round trip from Eagle Rock to Los Angeles, it would be necessary, according to the contention of the intervenor, for the Glendale and Eagle Rock Railway Company to carry the passengers for nothing, and if the fare happened to be 30 cents, it would have to pay the passenger 5 cents for the privilege. In other words, it was undertaken in granting rights of way to the Glendale and Eagle Rock Railway to stipulate what the fares would be beyond a point to which the Glendale and Eagle Rock Railway runs and over which the Glendale and Eagle Rock Railway could not in any event exercise jurisdiction as to rates, it being wholly without the power of that company to prescribe what rates should be charged by the Los Angeles Railway. Certainly no contract made between the Glendale and Eagle Rock Railway and the grantors of the right of way would be at all binding upon the Los Angeles Railway in any shape or form. If individuals and common carriers could by contract make a valid agreement as to what rates would be charged by such common carriers, the usefulness of this Commission or any other regulative body would be at an end.

While not alleged in the petition in intervention, it was developed by testimony at the hearing that a portion of the right of way of applicant is along certain streets in Glendale, and that at the time said right

of way was being secured in order to build the road, the city of Glendale vacated those certain streets and let the title to the property revert to abutting owners from whom it had been taken when the streets were dedicated to the public. These abutting owners, to whom the property had reverted, then gave the right of way to Mr. E. D. Goode, who built that portion of the road between Third street and Glendale avenue and Eagle Rock, inserting as a condition that the round trip fare from Glendale to Los Angeles should never exceed 25 cents. It was also a condition of the grant to Mr. Goode of the right of way that if the road were ever abandoned or the company did not live up to the agreement, the reversion should be to the city of Glendale and not to the abutting owners.

It may be that this gives to the city of Glendale some interest in the agreement that the round trip fare to Los Angeles should never exceed 25 cents, which it would not otherwise possess. I mention it only incidentally for the reason that even if the city of Glendale has any interest arising out of the agreement as to the 25-cent round trip fare, it need not be considered in this opinion and order, for the reason that the same matter has been the subject of a decision by the Supreme Court of California in the case of the *City of South Pasadena, Respondent*, vs. *Los Angeles Terminal Railway, Appellant*, 109 Cal. 315, in which case it was held that "in the absence of statutory or constitutional authority a city has no power to bargain with a railroad company nor to pass an ordinance regulating rates of transportation of a street railway connecting the city with another, and an ordinance purporting to regulate such rates is not warranted by section 11, article XI of the state constitution, conferring upon the city power to enforce local regulations within its limits, and is invalid."

That as to extra territorial force of the validity of a municipal ordinance, a "municipal ordinance to be valid must be consistent with the general powers and purposes of the corporation, must harmonize with the general laws of the State, the municipal charter, and the principles of the common law, and can have no extra territorial force unless by express permission of the sovereign power."

The case here referred to is, in many respects, on all fours with the case at bar if it should be held that the city of Glendale, by reason of its right of reversion of the right of way, was a party to the agreement as to the 25-cent round trip fare.

The city of South Pasadena granted the Los Angeles, Pasadena and Glendale Railway Company the right to construct and operate a steam railroad in certain public streets of the city upon various conditions. Some of those conditions related to the improvement of the streets,

number of trains to be run per day, and also contained the provision that round trip fares between certain named stations and Los Angeles should not exceed a certain sum, to wit, 30 cents. Later, when the operation of the road proved unprofitable, it was authorized by the Board of Railroad Commissioners of the State to increase said rate; as a result of which an action was commenced upon the allegation that the road had violated the conditions of the ordinance concerning round trip fares, and the case was finally decided by the Supreme Court, as quoted above.

The question before us may therefore be reduced to the single question of whether or not the applicant is receiving just and reasonable compensation for the service performed. At the hearings of this case an exhibit was introduced showing that the loss from operation of the Glendale and Eagle Rock Railway on the Eagle Rock division for the fiscal year 1912 amounted to \$3,521.08, but, in order to obtain more detailed information, certain statistics were called for, that we might be in a position to properly segregate the earnings of the road. Accordingly, data was furnished covering the operation of this road for the period December 10, 1913, to January 8, 1914, being for thirty days' operation of the property. The results are as follows:

PASSENGERS PAYING TWO AND ONE HALF CENTS FARE.		
To and from Glendale in connection with Pacific Electric Railway .....	1,382	
To Glendale proper.....	1,988	
To and from Eagle Rock in connection with Los Angeles Railway .....	2,326	
To Eagle Rock proper.....	2,036	
School children .....	434	
Total .....	8,166	\$204 15
Local passengers on Glendale and Eagle Rock Division not holding commutation tickets 4,308 at 5 cents.....		219 90
Passengers carried on Montrose line 11,399.....		543 20
Cash received from sale of 50-cent commutation tickets.....		91 00
Total receipts for thirty days.....		\$1,058 25

During the period for which these statistics have been furnished the schools were closed for the holiday season; consequently, there were not as many school children traveling as would ordinarily do so. There were only nine school days during this period, so that it would appear that ordinarily the line carries fifty school children per day—and for the twenty-one days during vacation season the road would have received, had these school children been traveling, approximately \$25.00 additional revenue.

The gross receipts for the operation of the road of the applicant is as follows for the period mentioned:

Passenger receipts .....	\$1,058 25	
Freight receipts .....	10 02	
Mail (at rate \$150 per annum) .....	12 50	
Miscellaneous (sale old ties) .....	10 50	
Gross .....		\$1,091 27
<b>TOTAL EXPENDITURES.</b>		
Office rent .....	\$20 00	
Heat .....	3 50	
Janitor for office .....	6 50	
Office supplies .....	4 00	
Track maintenance .....	10 00	
Car rental .....	60 00	
Power .....	641 68	
Power house employees .....	145 00	
Manager salary .....	200 00	
Superintendent salary .....	80 00	
Cashier salary .....	65 00	
Trainmen, pay one month .....	667 89	
		1,903 57
Deficit .....		\$812 30

The operating expenses are for thirty-one days while the receipts represent a thirty-day period. Therefore, the actual deficit would probably be slightly less than the figure above mentioned. There is not included in the expenditures any salary for the president of the company which had been previously charged and which at the time of the hearing I stated appeared to be excessive for the services rendered; and also there has been no allowance made for interest on the investment in the property or an allowance for depreciation, betterments, etc.

It must be apparent to any fair-minded person that the applicant is not receiving a reasonable return. It is proposed by the applicant to maintain a fare of 2½ cents for children under the age of eighteen years which can still be used by school children.

The total amount of additional revenue which the applicant would receive by the granting of this application would be \$193.30 per month, based on the number of passengers carried during the period December 10, 1913, to January 8, 1914, exclusive of school children, and I am convinced after a careful consideration of all of the evidence in this case that the application should be granted.

I recommend the following order:

#### ORDER.

The Glendale and Eagle Rock Railway Company having applied to this Commission for permission to discontinue sale of twenty-ride commutation tickets at 50 cents, and in lieu thereof to collect regular one-way fare of 5 cents, and to continue said commutation tickets only for

persons under the age of eighteen years; and a regular hearing having been held, and it appearing to the Commission that further investigation should be made as to the advisability of establishing through route and joint rates between the Los Angeles Railway Company and the Glendale and Eagle Rock Railway Company; and a hearing having been held on the Commission's own initiative as to the establishment of such through route and joint rates; and it appearing to the Commission that the application of the Glendale and Eagle Rock Railway Company to discontinue sale of twenty-ride commutation tickets at 50 cents, except as to persons under eighteen years of age, should be granted, and that the proceedings on the Commission's own initiative looking to the establishment of through route and joint rates should be dismissed,

*It is hereby ordered* that the application of the Glendale and Eagle Rock Railway Company, as set forth in the opinion preceding this order, be and the same hereby is granted.

*It is further ordered* that the proceedings upon the Commission's own initiative, with reference to through route and joint rates between the Los Angeles Railway Company and the Glendale and Eagle Rock Railway Company, be and they are hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of March, 1914.

---

DECISION No. 1315.

C. C. WOODWORTH ET AL.

*vs.*

WESTERN STATES GAS AND ELECTRIC COMPANY.

---

Case No. 497.

*Decided March 2, 1914.*

---

Complainant alleges discrimination as regards the agricultural power rates of defendant.

*Held*, That defendant has discriminated by entering into contracts to supply power to groups of individuals at a lower rate than they would be entitled to individually, and denying this lower rate to other groups and individuals.

*Held*, Defendant directed to remove such discrimination and to file with the Commission within two weeks an agricultural power rate as low as that voluntarily contracted for.

*L. S. Channell and C. C. Woodworth*, for Complainants.

*Chickering & Gregory and Nutter & Orr*, for Defendants.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

In this case C. C. Woodworth and thirty-three other farmers and ranchers residing in the vicinity of Lodi in San Joaquin County, complain of discrimination alleged to have been practiced by the Western States Gas and Electric Company in connection with the supplying of electric energy for power purposes in that territory.

The complaint alleges that the charges made and received by defendant company for supplying electricity are discriminatory, unjust and unreasonable, and asks that reasonable rates be established by this Commission to apply to all consumers upon like terms and conditions. While the complaint alleges unjust and unreasonable rates, this allegation was withdrawn at the hearing, and the only question now before the Commission is whether discrimination exists in the application of defendant's rates for agricultural service.

The facts in the case appear to be as follows:

On April 25, 1912, in compliance with the Commission's General Order No. 15, defendant filed a schedule of rates for electric service supplied throughout the Stockton division, the power rates therein specified being as follows:

- 4 cents per kilowatt hour for first 500 kilowatt hours.
- 3½ cents per kilowatt hour for second 500 kilowatt hours.
- 3 cents per kilowatt hour for third 500 kilowatt hours.
- 2½ cents per kilowatt hour for all over.
- For less than 5 horsepower add one cent to each of above rates.

Thereafter, on April 29, 1913, a schedule for power rates for agricultural purposes was filed with the Commission. This schedule is as follows:

First 1000 kilowatt hours .....	3 cents.
Second 1000 kilowatt hours .....	2½ cents.
All in excess of 2,000 kilowatt hours .....	2 cents.
Motors 50 horsepower capacity or larger, per kilowatt hour .....	1½ cents.
Minimum per horsepower per year .....	\$6.00

The following rule, applicable to the above agricultural rates, appears in defendant's rate schedules filed on April 29, 1913:

"In other words, if customer agrees to take 50 horsepower or more, same will be delivered at the rate of 1½ cents per kilowatt hour, but delivery will be made at one point only. There is no objection, however, to customer having delivery made to one central point and at his own expense completing laterals or extensions to supply small plants, provided they aggregate a total of 50 horsepower or more. This applies to irrigation on any part of the system of the Stockton division."

On March 22, 1913, the Earl Fruit Company of Lodi entered into a contract with defendant company for electric energy to supply three 20 horsepower electric motors located on what are known as the Crump, Hazen and Bellows ranches in San Joaquin County. These ranches with their separate installations are distinct properties, and the maximum distance between any two of the motors is some three miles. This rate is  $1\frac{1}{2}$  cents per kilowatt hour, and in order to make this rate applicable in said contract the capacities of the three separate plants were combined and the contract made for 60 horsepower. The Crump, Hazen and Bellows ranches are each leased to separate Japanese tenants. The contract between Earl Fruit Company and Western States Gas and Electric Company, above referred to, was accepted by the latter on March 31, 1913.

On March 22, 1913, defendant company accepted a contract with Clark Snyder for electric power to be supplied to 50 horsepower or more at  $1\frac{1}{2}$  cents per kilowatt hour. Power is supplied under this contract to three separate plants, the greatest distance between any two being about one and one half miles, the rated capacity of the individual plants being 20 horsepower, 15 horsepower and  $7\frac{1}{2}$  horsepower, respectively.

On February 4, 1913, defendant company accepted a contract for electric service to be supplied to T. H. Beckman. This contract provided for 50 horsepower at a rate of  $1\frac{1}{2}$  cents per kilowatt hour. Four distinct plants are included in this contract and these plants are located on three separate and distinct properties, separated by a distance of about one quarter of a mile, the pumping plants comprising this group being as follows:

T. H. Beckman	-----	25 horsepower.
D. H. Doepke	-----	10 horsepower.
H. C. Beckman	-----	10 horsepower.
Harry Bailey	-----	3 horsepower.
Total	-----	48 horsepower.

On May 5, 1913, defendant company accepted a contract with D. D. Mettler for electric service supplied to  $57\frac{1}{2}$  horsepower at a rate of  $1\frac{1}{2}$  cents per kilowatt hour. This contract covers service to six separate plants, the maximum distance between any two being some two miles.

A contract similar to those above referred to was entered into between defendant company and Walter Jahant for power supplied on three separate properties owned by Walter Jahant, Victor Jahant and Charles Newton, and in connection with electric service supplied to each individual installation under the above mentioned contracts, the lines, transformers, service wires and other facilities necessary for such service were furnished by and at the expense of defendant company.



In Case No. 293, the Commission directed that the public utilities of this State, other than common carriers, should file all their deviations and indicate those which they requested to be allowed to continue. It does not appear from the records and files of this Commission, that defendant company has ever filed with the Commission as deviations, the contracts with the Earl Fruit Company, D. D. Mettler, Clark Snyder, T. H. Beckman or Walter Jahant.

The testimony further shows that defendant now insists upon charging the rates set out in its agricultural schedule filed with this Commission on April 29, 1913, and refuses to permit any aggregation of small plants so as to come within the 50 horsepower provision therein, notwithstanding that it is now serving such small plants aggregated as aforesaid under the contracts hereinbefore set out.

From the foregoing it appears that from and after April 25, 1912, the general power rate set out in the schedules of defendant filed on that date was the legal rate up to the time when the lower agricultural rate went into effect, as set out in the schedule filed on April 29, 1913, and that the last named schedule is the one now in effect.

However, it is also evident that defendant has in the instances set out herein, departed from these schedules, and unlawfully permitted in several instances the aggregation of small plants so as to constitute at least 50 horsepower capacity, and thereupon charged the lower rate, and at the same time has refused permission to other consumers with small plants to aggregate under the same conditions.

It is evident that there has not only been discrimination practiced by defendant as between its consumers, but that defendant has unlawfully departed from its schedules and rules on file with this Commission.

The Commission in this proceeding is limited to ordering defendant to remove discrimination and to charge the lawful rates as shown in the schedules on file with this Commission, which would result in an increase of the rates to those now receiving electricity under the contracts herein set out. But in view of the fact that defendant has voluntarily, and in a number of instances as shown herein, accorded a lower rate for power for agricultural purposes than is shown in the schedule, I think that this should be held as some indication of the reasonableness of such lower rate, at least to the extent of warranting an investigation on the Commission's own initiative of all of the rates for electric service furnished by defendant in the territory under the jurisdiction of this Commission.

I recommend that defendant be ordered to at once remove discrimination heretofore referred to, and unless defendant within two weeks from the date of this order voluntarily files with this Commission a schedule

of rates as low as the rates accorded to the parties under contract heretofore referred to in detail, that the Commission call into question all of the rates, rules and regulations, practices and service of the Western States Gas and Electric Company for the furnishing of electric service in the territory under the jurisdiction of this Commission, such investigation to include a consideration of the conduct of defendant in departing from the legally established rates.

I submit herewith the following form of order :

**ORDER.**

Complaint having been made by C. C. Woodworth et al. against the Western States Gas and Electric Company, in which complaint it is alleged that said defendant company discriminates as between its consumers in its rates and charges for electricity furnished such consumers, and a public hearing having been had, and the Commission being fully apprised in the premises, it is hereby found as a fact that defendant, Western States Gas and Electric Company, now discriminates as between its consumers in the charges made for the service of electricity for agricultural purposes, as more fully set out in the opinion preceding this order; and

*It is hereby ordered* by the Railroad Commission of the State of California that said Western States Gas and Electric Company at once remove such discriminatory charges; and

*It is hereby further ordered* that unless said company, within two weeks from the date of this order, voluntarily files with this Commission a schedule of rates as low as the rates heretofore voluntarily charged under the contracts mentioned in the foregoing opinion, the Commission call into question, upon its own initiative, all of the rates, charges, rules and regulations, practices and service for the supply of electricity by Western States Gas and Electric Company to its consumers in all of the territory within the jurisdiction of this Commission, such investigation to include a consideration of the conduct of defendant in departing from the legally established rates and schedules on file with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, this 2d day of March, 1914.

## DECISION No. 1316.

IN THE MATTER OF THE APPLICATION OF F. W. GOMPH, AGENT FOR PACIFIC FREIGHT TARIFF BUREAU, FOR AN ORDER GRANTING PERMISSION TO CANCEL ITEM 10, PAGE 13, OF C. R. C. No. 70, WHICH PROVIDES CLASS D ON BARRELS (WOODEN), CASKS (WOODEN), NOT OTHERWISE SPECIFIED, WOODEN TIERCES, KEGS, DRUMS, KITS AND WELL BUCKETS (EXCLUSIVE OF BEER PACKAGES), MINIMUM CARLOAD WEIGHT 14,000 POUNDS, SUBJECT TO RULE 6-B OF WESTERN CLASSIFICATION.

---

Application No. 846.

*Decided February 27, 1914.*

---

Application of Pacific Freight Tariff Bureau, agent for various carriers, to cancel Item No. 10, Bureau Exception Sheet No. 1-C, C. R. C. No. 70, which provides a class "D" rating on wooden barrels, casks, kegs, etc., thereby placing these items under the class "B" rating, Western Classification.

*Held.* Application held in abeyance, applicant directed to file a commodity rate covering these items for the consideration of the Commission.

*Gco. D. Squires*, for Southern Pacific Company and F. W. Gomph.

*E. W. Camp*, for Atchison, Topeka and Santa Fe Railway Company and F. W. Gomph.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This application is filed under section 63 of the Public Utilities Act, and requests authority to cancel Item 10, page 13, of Pacific Freight Tariff Bureau Exception Sheet No. 1-C, C. R. C. 70, which provides Class "D" on barrels (wooden), casks (wooden), not otherwise specified, wooden tierces, kegs, drums, kits and well buckets (exclusive of beer packages), minimum carload weight 14,000 pounds, subject to Rule 6-B of the Current Western Classification.

NOTE.—On wooden barrels estimated weights provided in the Current Western Classification will apply.

The effect of the cancellation of Item 10 would be to apply Western Classification rating of Class "B."

The applicant in justification of the proposed increases advanced the following explanation:

"Class D rating as set forth in the foregoing item was established years ago, since which time the class rates have been reduced between points in California, especially on that portion of the

NOTE.—On wooden oil barrels estimated weights provided in the current classification will apply.

Southern Pacific Company's line between San Francisco and the California-Nevada state line and between San Francisco, Los Angeles and adjacent points, on the one hand, and points in the Imperial Valley, on the other; also between points on the lines of the Atchison, Topeka and Santa Fe Railway and the Southern Pacific Company in the San Joaquin Valley; also between points on the lines of the Southern Pacific Company and San Pedro, Los Angeles and Salt Lake Railroad between Los Angeles and San Pedro and East San Pedro, respectively; also between Los Angeles and points on the N-C-O branch north of Mojave. The publication of the rating by an exception to the classification was merely to avoid publishing specific commodity rates. Had specific commodity rates been published they would not have been automatically reduced whenever the class rate scale was reduced. In view of the readjustment of these class rates referred to above, carriers believe they should not be compelled to continue this exception to the classification."

Testimony of witnesses and exhibits placed in evidence were illustrative of this contention, and it was alleged that earnings per car in certain territory were not compensatory.

Mr. Toll, for the Southern Pacific Company, testified that earnings to many points were but little in excess of switching charges, and called particular attention to the fact that shipments forwarded from Fresno were moved an average distance of nineteen miles with an average earning of but \$5.73 per car, which included switching services at point of origin and destination.

Carriers stipulated that should the application be granted and the Class "B" rate prove excessive in any particular case, a proper commodity rate would be established.

The principle involved in this application is similar to that included in Item 27, Application No. 291, Decision No. 642, decided May 26, 1913, with reference to rates on tin cans, carloads, in which decision the Commission said:

"It is apparent that the application with reference to tin cans can not be disposed of by the application of any particular classification rating. In some instances we are frank to concede the revenue derived from the present classification rating is too low and in some cases it would appear to be the reverse; and while we will deny the application of the carriers to publish changes in line with their application we will entertain an application to publish specific commodity rates and will invite all interested shippers to participate in a discussion, which we hope will tend to the establishment of just and reasonable rates on shipments of cans which we feel is not possible by the application of any general provision of the classification."

In line with the above decision, I am of the opinion that until such time as the carriers shall have submitted and the Commission approved

proper commodity rates for the articles listed under Item 10 in the Exception Sheet referred to, such item should remain in force.

Upon consideration of all the facts I have concluded to make no order at this time. The case will, therefore, be held open, with the recommendation that the carriers submit a schedule of commodity rates, in which event a conclusion will be reached upon the whole record as finally presented.

The foregoing opinion is hereby approved and ordered filed as the opinion of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.

---

DECISION No. 1317.

IN THE MATTER OF THE APPLICATION OF THE HERMOSA  
BEACH WATER COMPANY FOR APPROVAL OF CERTAIN  
RULES AND REGULATIONS DEALING WITH VARIOUS  
MATTERS AFFECTING ITS RELATIONS WITH ITS CON-  
SUMERS.

---

Application No. 919.

*Decided February 27, 1914.*

---

Application of the Hermosa Beach Water Company for the approval of certain rules and regulations proposed to be established by said company granted, subject to the condition that said approval shall not be taken as establishing a precedent, owing to the exceptional conditions surrounding this particular case.

W. J. Carr, for Applicant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

In this application, applicant, the Hermosa Beach Water Company, of Hermosa Beach, California, asks for the approval of certain rules and regulations under which said company proposes to serve its consumers. With such application, there were presented to the Commission a statement of the affairs of this company, inventory of its property, etc.

At the time this application was presented to the Commission, there were pending two cases, namely, Case No. 470—*John I. Beck vs. Hermosa Beach Water Company*—and Case No. 487—*Francis S. Hale vs. Hermosa Beach Water Company*—in each of which cases the Commission was asked to order the Hermosa Beach Water Company to construct and install extensions of its system to serve complainants in said cases. It was decided to hear the application of the Hermosa Beach

Water Company for approval of its rules and regulations, and the cases above referred to, on the same day, and a hearing was held at Hermosa Beach for that purpose.

Notice having been given to the consumers, there were quite a large number in attendance and the rules were taken up seriatim, read and discussed. The suggestions of the consumers were noted, and the company was informed that the Commission would thereafter give the rules and regulations careful consideration and make such suggestions and amendments as would seem proper.

Such consideration having been given to said rules and regulations by the Commission, and said rules and regulations having been amended in such manner as to receive the approval of the Commission, and a copy of said rules and regulations being set forth herein and made a part of the opinion and order in this case, I recommend that said rules and regulations be approved, and that the Hermosa Beach Water Company be given authority to put said rules and regulations into effect.

It will be noted that, in approving these rules and regulations, we have approved, in Rule No. 6, something which we especially confine our approval to in this particular case without laying down any principle to be observed in other cases, namely, the practice of asking consumers to advance some part of the cost of installation where such installation is of sizes other than the installation which the rules provide shall be furnished by the water company, such advances to be returned to the consumer in fifteen months by crediting such consumer on his water bill each month with one fifteenth the amount of the advance or deposit.

In certain specific cases, the Commission has heretofore decided that it is the duty of public utility companies supplying the public with water to furnish meters free of charge. We have so held in this opinion as to the ordinary meter, while as to sizes other than the ordinary meter, while the installation is finally paid for by the public utility, we have, in this particular case, approved of a deposit by consumers to be taken out in use within a specified time.

We have also, by the approval of these rules and regulations, decided that when extensions are to be made the Hermosa Beach Water Company shall, at its own expense, provide fifty linear feet of such extension, the remainder to be paid for by the consumer. In cases of this kind, the consumer is protected by the rule which provides that when the bona fide gross receipts derived from water sales to such consumer equal 50 per cent of the cost of the extension, the water company will repay to the person making the advance the cost of such installation.

In recommending the approval of these rules and of the special features thereof, I am influenced by the fact that this case is in a class by itself, the facts of which justify our action in approving same.

The territory served by the Hermosa Beach Water Company is sparsely settled, comprising a beach town or summer resort, and many of the residents remain but a short time, the cottages they occupy frequently being occupied by several different tenants during the season. The rules hereby approved seem necessary to the reasonable protection of the utility.

I recommend the following order:

**ORDER.**

The Hermosa Beach Water Company, of Hermosa Beach, California, having applied to this Commission for permission to put certain rules and regulations into effect governing its relations with the consumers of its water system; and the Commission having carefully studied said rules and regulations; and the Hermosa Beach Water Company having accepted certain amendments suggested by the Commission,

*It is hereby ordered* that the Hermosa Beach Water Company, of Hermosa Beach, California, be and it is hereby granted permission and authority to put into effect the following rules and regulations affecting the relations of the Hermosa Beach Water Company with the consumers who receive water from said water company.

**Rules and Regulations of the Hermosa Beach Water Company.**

*Rule No. 1.*—Before water is supplied to any premises written application therefor, on blanks furnished by the company, must be made to the company by the person desiring water. Such application must show—

(a) Location and description of the premises to be supplied and number of rooms.

(b) Whether or not such premises have been heretofore supplied, or at the time of the application are being supplied, with water by the company.

(c) The purpose for which said water is desired, whether for domestic purposes or for irrigation.

(d) A statement of the proposed use, giving areas and crops, if for irrigation.

(e) Address to which statement of bill is to be mailed or delivered.

(f) A statement as to whether water is to be used by owner, tenant or agent.

(g) Signature of applicant giving his status as owner, agent or tenant.

*Rule No. 2.*—Monthly deposits must be made to secure the payment of rates, except—

(a) For water supplied to the owner of the premises at which supplied.

(b) For water supplied to a tenant, the payment of whose water bills is guaranteed in writing by the owner of the premises, or by a responsible party satisfactory to the company.

The deposit must be sufficient to pay for the amount of water which, in the application for service, it is estimated will be consumed monthly, but in no event shall it be less than the minimum monthly rate plus 15 cents, or when the consumer has been receiving water from the company, then in an amount 10 per cent in excess of his previous average monthly bill. Any excess of such deposit over the actual rate will be credited to the consumer and will be returned to him, if the service is discontinued, otherwise it will be credited to him on account of his deposit for the ensuing month.

*Rule No. 3.*—The company will as soon after the first of each month as practicable, and not later than the fifth of the month, mail or deliver to each consumer a statement of his bill for the preceding month; or for that class of which prepayment is required the bill for the ensuing month, as it may be modified by excess or deficiency during the month preceding, at the address given to the company by said consumer. Consumers are particularly urged to see that the company has correct addresses. The company, at its option, reserves the right to send collectors who, if unable to find the consumer, will leave a statement.

*Rule No. 4.*—Except when deposits are required to be made under the provisions of Rule No. 2, all rates shall become due and payable at the office of the company on the first of the month succeeding the month in which water is furnished.

When rates are not paid by the fifteenth of such month, a charge of 15 cents will be added to the rate to pay for the expenses of collection.

*Rule No. 5.*—(a) When deposits are required to be made, under provision of Rule No. 2, and a notice of the adjusted amount due has been rendered by the company, as provided in Rule No. 3, should the consumer have failed to make payment by the tenth of the month for which deposit is required, his supply will be discontinued.

(b) After water rates have become delinquent under Rule No. 4 and the consumer has refused or neglected to pay same, the company may, upon five days' written notice being given, discontinue the supply, unless before the expiration of such five days the consumer makes a deposit as provided in Rule No. 2, to secure the payment of rates. When rates have become delinquent and notice has been served, as provided in this rule, the company will in the future require the making of a deposit as provided in Rule No. 2, this deposit to be in amount 10 per cent in excess of the consumer's previous average monthly bill, notwithstanding the fact that the consumer brings himself within the terms of the exceptions to said rule, said deposit to be returned to party making the same should service be discontinued.

22—10192



*Rule No. 6.*—(a) When an application for water is made, as provided in Rule No. 1, to supply water for domestic use to an existing dwelling place that requires the installation of the usual  $\frac{3}{4}$ -inch service pipe and  $\frac{5}{8}$ -inch meter this will be placed without payment by the consumer.

(b) When the satisfaction of the application requires the installation of service connections for purposes or of sizes other than provided for in the preceding section of this rule, a payment in advance will be required of the applicant and credited on the books of the company at the rate of one fifteenth of the amount deposited per month, to apply on water bills, such payments and credits to be as follows:

Materials	Deposit	Credit per month
$\frac{3}{4}$ -inch pipe and $\frac{5}{8}$ -inch meter.....	Regular installation at expense of utility.	
1 -inch pipe and $\frac{3}{4}$ -inch meter.....	\$18 00	\$1 20
$1\frac{1}{4}$ -inch pipe and $1\frac{1}{4}$ -inch meter.....	36 00	2 40
2 -inch pipe and $1\frac{1}{2}$ -inch meter.....	51 00	3 40

Any other installation than here listed will be provided for by special arrangement.

*Rule No. 7.*—When a person desires that an extension be made he shall make a written application to the company on blanks to be furnished by the company. Such application shall show:

(a) The location, length and size of pipe desired.

(b) Description of the premises which will be served immediately by such extension and the premises which are likely to be served by such extension.

(c) An estimate of the probable revenue which will be derived by the company from such extension.

(d) Certain other essential and relevant information needed to determine the practicability of the extension as requested.

For each actual dwelling place demanding service on a proposed extension the company will, at its own expense, provide 50 linear feet of such extension.

The company, until further notice, when extensions are made establishes the following prices to be advanced per foot of extensions not the duty of the company to pay without payment:

$\frac{3}{4}$ -inch .....	\$0 07
1 -inch .....	10
$1\frac{1}{4}$ -inch .....	18
2 -inch .....	30
$2\frac{1}{2}$ -inch .....	40
3 -inch .....	
4 -inch .....	

Upon the receipt of the application the company will determine the size of extension necessary to give the service anticipated by the applicant and the cost of a main of that size will be computed and such amount demanded from applicant.

Should the company desire, looking to the probable increase of business or the most practicable construction for the general system, to lay a larger main the difference in cost will be borne outright by the company.

The applicant for the extension must advance to the company the amount of the necessary cost, determined and modified according to the foregoing provision, exclusive of service connections. (The making of service connections will be governed by Rule No. 6.)

When the bona fide gross receipts derived from water sales to actual and bona fide users of water from the extension equals 50 per cent of the cost of such extension then the company—

(a) Will repay to the person advancing the cost of the installation, or his assignee, the amount so advanced; or,

(b) Will issue to him or to his assignees bonds of the company equal to the amount so advanced, which bonds shall draw not less than 5 per cent interest per annum; and shall mature not later than ten years from date of issue; or,

(c) Part repayment may be made by such issuance of bonds, which will have a face value of \$10.00 or a multiple thereof, and the sum necessary to balance the account paid in cash.

Bonds will be issued only with the approval of the Railroad Commission of the State of California.

A receipt or contract will be given by the company for moneys advanced under this rule, expressing its obligation to repay the same, or to issue its bonds therefor, under the terms of this rule.

The payment under this rule will be made (or bonds will be issued) on the fifteenth of January of the year after which such payments become due, together with interest at not less than 5 per cent per annum from the time the deposit was made. The owner of the company's receipt or contract must surrender same when payment is made.

*Rule No. 8.*—No allowance shall be made in water rates by reason of the non-occupation of the premises where water is supplied unless the company has been notified to shut off or disconnect the water from such premises.

*Rule No. 9.*—Any damages occurring to a meter, or any fixture belonging to the company, from carelessness or neglect of the con-

sumer, as well as any damage which may result from hot water or steam from any boiler or heater shall be paid for by the consumer on presentation of a bill therefor.

*Rule No. 10.*—No by-pass, or other connection, between the meter and the main shall be made or maintained by the consumer on any premises.

*Rule No. 11.*—Any consumer may demand that the meter through which water is being furnished be examined and tested by the company, for the purpose of ascertaining whether or not it is registering correctly the amount of water which is being delivered through it. When any consumer desires to have a meter so examined or tested he shall make application therefor in writing to the company and shall deposit with said application the sum of \$1.00. Upon said application being made the company will cause the meter to be examined and tested for the purpose of ascertaining whether or not it is registering correctly the water delivered through it. If, upon such examination and test, the meter is found to register 3 per cent more than the amount of water actually passing through it, another meter will be substituted for it and the fee of \$1.00 will be repaid to the person making the application, and the water bill for the current period adjusted by an amount in proportion to the error discovered. If the meter shall be found accurate, or to register less than the actual amount of water passing through it, the fee of \$1.00 shall be retained by the company and the water bill paid as rendered.

*Rule No. 12.*—No person shall draw water from the mains or pipes of the company directly into any stationary steam boiler, but the owner of such steam boiler must provide a tank of such capacity as to afford a supply for at least twelve hours and into which the water shall be delivered.

*Rule No. 13.*—No consumer shall provide water regularly to any person, company or corporation other than the occupant or occupants of the premises of said consumer, except where such parties can not reasonably be connected with the system of this company. Nor shall any consumer knowingly permit leaks or waste of water.

*Rule No. 14.*—The company shall have the right in an emergency to turn on or off the water from the pipes of the system without notice. The company will make all possible effort to notify its customers in advance, when it is necessary to turn off water.

*Rule No. 15.*—The company will not give any person permission to use water from private taps inside of property lines for any street improvement, building, or other purpose. Should any contractor or builder desire to use water for any street improvement or building pur-

poses he may obtain, upon application therefor, a service connection for such use period. The company will charge for such connection for temporary use the net cost thereof.

*Rule No. 16.*—In all cases in which water is to be served to the premises occupied by different and independent consumers of water, the premises being held under the same ownership, independent services to the curb line must be provided for each such independent consumer, unless the owner of such premises so served with water in writing guarantees the payment of all money due for water used by the occupants of such premises.

*Rule No. 17.*—No water shall hereafter be served to and no service connection shall hereafter be made at any premises held under the same ownership and occupied by two or more separate and independent consumers served with a common service pipe, unless the owner of said premises agrees, in writing, to pay all proper bills for water furnished to such premises.

*Rule No. 18.*—A charge of 50 cents will be made for turning on water at the premises. Also if water has been in use at the premises for less than three months a charge of 50 cents will be made for turning off the water.

*It is further ordered* that, in granting permission to the Hermosa Beach Water Company to establish the above rules and regulations, it is especially understood that the approval of the Commission of these rules and regulations is based upon the conditions surrounding this application, and is not to be considered as establishing any principle to be observed in other applications or cases.

*It is further ordered* that the above rules and regulations may be changed and amended from time to time by the Hermosa Beach Water Company, but that the approval of this Commission will have to be obtained before such amendments or changes shall become effective.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of February, 1914.

## DECISION No. 1318.

IN THE MATTER OF THE APPLICATION OF PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR LEAVE TO CONTINUE TO CHARGE THE TOLL RATES IN EFFECT ON THE TENTH DAY OF OCTOBER, 1911, UNTIL THE FURTHER ORDER OF THE COMMISSION.

## Application No. 2.

IN THE MATTER OF THE INVESTIGATION INTO THE RATES, CHARGES, RULES AND REGULATIONS IN CONNECTION WITH THE INTEREXCHANGE TELEPHONE SERVICE OF THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY WITHIN THE STATE OF CALIFORNIA.

## Case No. 407.

*Decided March 2, 1914.*

Application of the Pacific Telephone and Telegraph Company for a modification of the original order of the Commission in the above entitled matter, as regards the first three multiples embodied in the Commission's schedule of toll rates, and to make this modified schedule applicable also to its two-number rates.

*Held*, Application granted, subject to the condition that the present rates between San Francisco, and Oakland, Alameda and Berkeley will not be affected thereby,

*James T. Shaw*, for Applicant.

## REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

This is an application to modify the previous order of this Commission entered in these cases. The application involves primarily two changes in the Commission's order; *first*, it changes the first three multiples embodied in the Commission's schedule of rates; and, *second*, it involves the application of the schedule for two-number rates as modified by the changes in the three multiples involved. The Commission's schedule fixes the three multiples referred to as follows:

	Initial rate	Overtime
Up to and including 19 miles.....	10 cents	5 cents
From 19 miles up to and including 34 miles.....	15 cents	5 cents
From 34 miles up to and including 44 miles.....	20 cents	10 cents

The modification involved in this application would change these three multiples as follows:

	Initial rate	Overtime
Up to and including 14 miles.....	10 cents	5 cents
From 14 miles up to and including 29 miles.....	15 cents	5 cents
From 29 miles up to and including 44 miles.....	20 cents	10 cents

By comparison the two schedules appear as follows:

Distance	Commission's schedule	Modified schedule
Up to 14 miles.....	10 — 5	10 — 5
From 15 to 19 miles.....	10 — 5	15 — 5
From 20 to 29 miles.....	15 — 5	15 — 5
From 30 to 34 miles.....	15 — 5	20 — 10
From 35 to 44 miles.....	20 — 10	20 — 10

From this comparison it will be seen that the rates under either of these schedules will be the same except in two classes of toll rates, namely, those falling within distance of 15 to 19 miles and those falling within distance of 30 to 35 miles. In these two classes of routes the rates provided in the Commission's order will be increased 5 cents by the modified schedule, and this increase will apply both to particular party and to two-number rates.

The Commission's order, heretofore rendered, contains a clause reading as follows:

"All existing two-number rates and free exchange zone routes to remain as at present until acted on after separate consideration by the Commission."

According to the evidence, there are approximately 54 present toll routes having two-number rates. Under the provisions of the clause quoted, the telephone company will be allowed to continue the present two-number rates now in effect over these 54 two-number routes until acted upon by the Commission; and if separate consideration were given in each case, approximately 54 hearings before the Commission would be required, but by the adoption of the Commission's two-number schedule at this time the necessity of these hearings will be eliminated.

The telephone company claims that according to computations which it has made, based upon business for the year 1912, the application of the schedule to particular party business only, as proposed to be modified, would result in a saving in annual revenues of approximately \$28,000.00. In other words, the reduction in the company's revenue under the modification herein applied for would be \$28,000.00 less than the reduction in revenue under the Commission's order.

On the other hand, the application of the Commission's schedule, as modified, to two-number rates which under the order heretofore rendered are to be left as they now are, would result in a reduction of approximately \$84,000.00 in annual revenues, or by the application of the schedule as modified to particular party business and also to two-number business, a net reduction in annual revenue in excess of the reduction which would result from the application of the Commission's order, as applied to particular party business only, and without this modification, would be approximately \$56,000.00. In short, one change which the company asks to be made would result in an increase in revenue of \$28,000.00 per annum, while the other change which contemplates the application of the Commission's schedule to two-number rates and free exchange zone routes, which by the order are to remain unchanged, would result in a loss to the company of \$84,000.00 per annum; and the net result of giving to the company all that it asks in this application would be a reduction in its income of \$56,000.00 per annum. The company explains that it is willing to do this because of the fact that it desires to clear up the entire situation at this time and that it is felt if the two-number rates are left as they are inevitably hearings will be held thereon and the Commission will bring about the reductions which are herein voluntarily accorded. The company explains its desire to change the rates for short distances on the ground that dissatisfaction will inevitably arise between the localities affected by these short distance rates when it appears that in some instances rates for short distances are the same as rates for considerably longer distances.

The results that would follow from the granting of the application are as follows:

Reduction in revenue from 1912 resulting from the application of the Commission's order for particular party business only	\$450,000 00
Reduction from modified schedule for particular party business only	\$450,000 00
Less	28,000 00
	\$422,000 00
Reduction in particular party revenues plus reduction in two-number revenues by the application of the modified schedule for both particular party and two-number business	\$422,000 00
Plus	84,000 00
	\$506,000 00

Therefore, the net result, as has already been said, will be a reduction in the revenue of this company of \$506,000.00 per annum instead of \$450,000.00 per annum.

The Commission's order provides that where optional particular party and two-number rates are quoted, the two-number rates shall be based upon standard particular party rates and the particular party rates in such instances to become 5 cents higher than otherwise. The association of optional particular party and two-number rates is what the telephone company refers to in the evidence as "associated rates."

A matter of vital importance is involved in the adoption of the Commission's order with reference to two-number rates. The minimum rate for two-number tolls under the Commission's schedule is 10 cents for the initial period of three minutes and 5 cents for each additional minute or fraction as an overtime charge. A few of the present two-number rates, noticeably the so-called transbay rate, by which is meant the rate between San Francisco and Oakland, Alameda and Berkeley, allow a rate of 3 cents for overtime, hence the adoption of the Commission's two-number schedule in its entirety would increase the overtime charge over those routes which now carry the 3-cent rate from 3 cents to 5 cents. The figure of \$56,000.00, which it is estimated the changes herein desired to be made will be brought about, does not contemplate the effect of increasing the transbay rate for overtime from 3 cents to 5 cents. The telephone company frankly states that it was not its purpose when applying for a modification of the Commission's order to increase that particular rate, and it is admitted that the application does not formally present this issue. However, all other-existing two-number routes having an overtime rate of 3 cents have been considered in this figure of \$56,000.00. There are four two-number routes involved in which the overtime rate will be increased from 3 cents to 5 cents, as follows:

Palo Alto—Los Altos.  
Palo Alto—Mountain View.  
Los Angeles—Sunland.  
Riverside—San Bernardino.

Of the two-number routes affected by the modified schedule, there are nine in which the initial rate will be increased from 10 cents to 15 cents, namely:

San Francisco—San Leandro.  
San Francisco—San Mateo.  
San Francisco—San Rafael.  
Oakland—San Rafael.  
Oakland—Mill Valley.  
Oakland—San Mateo.  
San Jose—Palo Alto.  
Santa Clara—Redwood City.  
Los Angeles—Redondo.



This, however, does not bring about an increase over the present rate or bring about an increase of 5 cents over the changed rate prescribed in the order, but in either event if the modification is allowed the rate hereafter becoming effective will be less than the present rate.

Were the overtime rate between San Francisco and the bay cities to be increased from 3 cents to 5 cents, the effect would be the saving of approximately \$19,000.00 per year to the company and would reduce the loss of \$56,000.00 above mentioned to approximately \$37,000.00.

With respect to increasing the overtime charge from 3 cents to 5 cents in the transbay rate, while, as has already been said, this was not contemplated in the application, it is nevertheless apparent that the Commission's approval of this increase is, from the company's standpoint, very much to be desired. That the result of such approval would arouse inevitable comment and dissatisfaction from residents of these cities is highly probable, but it is no less probable that were approval denied the fact of these cities having a preferential rate would likewise meet with disfavor from those other cities which were discriminated against if they were denied a similar rate for overtime. It probably is true that of the two situations the one involving the adoption of the two-number schedule in its entirety, which, of course, involves the approval of the transbay overtime charge, is the one which will be most easily defended because of the inconsistency of the other, unless it be shown that the conditions affecting the transbay situation are different from those in other territory involved.

It appears to me, without a careful investigation, that there may be conditions involved in the relationship between these transbay cities that do not exist elsewhere, and that it might be found that a different overtime rate might be justified on the ground of the close relationship and large population involved. However this may be, I believe it wise to defer a determination of this question until it can be determined whether or not the discrimination as to overtime charges for transbay rates is justified, and I shall recommend no order at this time with reference thereto.

I submit the following order:

**ORDER.**

Application having been made to this Commission by The Pacific Telephone and Telegraph Company on the 19th day of January, 1914, for a modification of the Commission's Decision No. 1082, by which the Commission fixed a schedule of rates to be charged by said telephone company for particular party and two-number toll service between points within the State of California; and a public hearing having been

held thereon; and the Commission having duly considered the effect which the said modification would have upon the rates heretofore ordered to be placed into effect; and it having further duly considered the effect which the said modification would have upon the toll revenues of the applicant telephone company; and it thereupon appearing to the Commission that the granting of this application would result in a more consistent and reasonable schedule of rates with respect to the first three multiples of the Commission's schedule hereinabove referred to,

*It is hereby ordered* that Exhibit No. 1 attached to and made a part of the original order contained in said Decision No. 1082, be modified as follows and not otherwise, to wit:

(1) The first four lines of the schedule hereinabove referred to shall be modified to read as follows:

Air-line mileage	Initial rate, two minutes or less	Overtime rate, each additional minute or fraction thereof
Up to and including 14 miles.....	10 cents	5 cents
Over 14 up to and including 29 miles.....	15 cents	5 cents
Over 29 up to and including 44 miles.....	20 cents	10 cents

(2) In the next to the last line of page 2 of Exhibit No. 1, hereinabove referred to, the words "two-number rates and" be stricken out, so that the clause (referring to existing two-number rates and free exchange zone routes), shall read as follows:

"All existing free exchange zone routes to remain as at present until acted on after separate consideration by the Commission."

Provided that the present two-number toll rates now in effect between San Francisco, Oakland, Berkeley, and Alameda will not be altered without the further authorization of this Commission.

And provided further that the schedule of rates as modified by this order and as hereinabove referred to shall become effective on or before the 21st day of March, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of March, 1914.

## DECISION No. 1319.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN  
LIGHT AND POWER CORPORATION FOR AN ORDER  
AUTHORIZING THE ISSUE OF PROMISSORY NOTES AND  
BONDS.

---

Application No. 992.

*Decided March 2, 1914.*

---

Applicant authorized to execute three promissory notes, aggregating the sum of \$200,000.00, to be issued to refund notes in a like amount now due.

*A. E. Peat*, for Applicant.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application for authority to issue promissory notes of the face value of \$200,000.00 and bonds of the face value of \$3,180,000.00 in exchange for certain underlying bonds.

Applicant desires to issue its three promissory notes, bearing interest at the rate of 6 per cent, to refund the following notes:

1. Note of October 25, 1913, payable to Wells Fargo Nevada National Bank, amount \$75,000.00, due February 25, 1914.

2. Note of October 25, 1913, payable to Wells Fargo Nevada National Bank, amount \$75,000.00, due February 25, 1914.

3. Note of November 8, 1913, payable to Union Trust Company of San Francisco, amount \$50,000.00, due March 8, 1914.

The new notes are to be issued to the same payees as the foregoing notes and their term is to be three months from maturity of the present notes. The term of the present notes plus the term of the proposed notes will be in excess of twelve months.

The proceeds of the existing notes were all used either directly or in substitution for other moneys for construction purposes.

I recommend that this portion of the application be granted. More time will be consumed in connection with the application for authority to issue bonds, and the application will be held open for subsequent consideration of this portion thereof.

I present the following form of order:

## ORDER.

San Joaquin Light and Power Corporation having applied for an order authorizing the issue of three certain promissory notes, as will hereinafter appear in greater detail, and also of certain bonds, and a public hearing having been held upon said application, and the Com-

mission finding that further time is necessary to enable it to pass upon the application in so far as the bonds are concerned, and that the purposes for which the proceeds of the notes hereinafter authorized are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that San Joaquin Light and Power Corporation be and the same is hereby authorized to issue its three promissory notes, each bearing interest at the rate of six (6) per cent per annum, as follows:

1. Note dated February 25, 1914, payable to Wells Fargo Nevada National Bank, amount \$75,000.00, payable three months after date.

2. Note dated February 25, 1914, payable to Wells Fargo Nevada National Bank, amount \$75,000.00, payable three months after date.

3. Note dated March 8, 1914, payable to Union Trust Company of San Francisco, amount \$50,000.00, payable three months after date—on the following conditions and not otherwise, to wit:

1. San Joaquin Light and Power Corporation shall issue said notes so as to net in cash not less than the face value thereof.

2. San Joaquin Light and Power Corporation shall use the proceeds from said notes only for the purpose of refunding the three notes referred to in the opinion which precedes this order.

3. San Joaquin Light and Power Corporation shall within ten days after their issue, report to the Commission the fact and the date of the issue of said notes, and the purposes to which the proceeds were applied.

4. The authority hereby given to issue promissory notes shall apply only to notes issued prior to March 31, 1914.

5. The payment by applicant of the fee specified in section 57 of the Public Utilities Act, as amended, shall be a condition precedent to the effectiveness of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of March, 1914.

## DECISION No. 1320.

IN THE MATTER OF THE APPLICATION OF THE GLENDORA LIGHT AND POWER COMPANY TO SELL ITS ELECTRICAL DISTRIBUTING SYSTEM TO PACIFIC LIGHT AND POWER CORPORATION AND OF PACIFIC LIGHT AND POWER CORPORATION TO PURCHASE SAID PROPERTY, AND FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE FRANCHISE RIGHTS.

---

Application No. 1000.

*Decided March 9, 1914.*

---

Application of the Glendora Light and Power Company and the Pacific Light and Power Company, the former to sell and the latter to buy a certain electrical system in the city of Glendora for the sum of \$10,500.00, granted.

*S. M. Haskins*, for Pacific Light and Power Corporation.

*R. B. Bidwell*, for Glendora Light and Power Company.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

The pleadings in this application, which were supported by testimony at the hearing, show—

(1) That the Glendora Light and Power Company is a corporation organized and existing under the laws of the State of California, having its principal place of business and its post-office address in the city of Glendora, California.

(2) That the Pacific Light and Power Corporation is an electrical corporation organized and existing under the laws of the State of California, having its principal place of business and its post-office address in the city of Los Angeles, California.

(3) That the original cost of the properties of said Glendora Light and Power Company was about the sum of \$16,500.00, and that the present value of said property is about the sum of \$10,500.00, which is the sum now to be paid for this property. A detailed description of the property referred to is attached to the application and marked Exhibit "B."

(4) That a statement of the financial condition of said Pacific Light and Power Corporation is on file with this Commission, having been filed in Application No. 721, reference to which is made in this application.

(5) That a certified copy of the articles of incorporation of said Pacific Light and Power Corporation is on file with this Commission,

(6) That a statement of the financial condition of the Glendora Light and Power Company is attached to the application in this proceeding and made a part thereof and marked Exhibit "C."

(7) That a certified copy of the articles of incorporation of Glendora Light and Power Company was filed with the application.

(8) That the Pacific Light and Power Company is better equipped than the Glendora Light and Power Company to furnish adequate and efficient service at reasonable rates in the territory now served by the Glendora Light and Power Company.

At the hearing, a copy of Ordinance No. 143, passed by the board of trustees of the city of Glendora on the 27th day of February, 1914—by the conditions of which ordinance a right, privilege and franchise was granted to the Pacific Light and Power Corporation to construct and, for the period of forty years, to operate and maintain an electric pole and wire system for the purpose of transmitting, conducting and distributing electricity and electrical energy for lighting, heating and power purposes and for any and all other purposes for which electricity can be used in, on, over, across and along all public roads, streets, alleys and other places within the city of Glendora—was filed with the Commission.

Applicant, the Pacific Light and Power Corporation, now prays for an order authorizing it to purchase the property of the Glendora Light and Power Company and to exercise its rights granted by aforesaid ordinance.

A copy of resolution passed by the board of trustees of the city of Glendora, approving the transfer of this electric distributing system by the Glendora Light and Power Company to the Pacific Light and Power Corporation, was filed at the hearing.

The present rates of the Glendora Light and Power Company are 7 cents per kilowatt hour for power purposes and 12½ cents per kilowatt hour for domestic purposes. If this transfer is permitted, the Pacific Light and Power Corporation will immediately install rates ranging from 2 cents to 6 cents per kilowatt hour for power, and 8 cents maximum per kilowatt hour for domestic purposes.

It is apparent from the evidence presented at the hearing that the owners of the Glendora Light and Power Company are desirous of transferring this property to the Pacific Light and Power Corporation and that the Pacific Light and Power Corporation is better equipped than the Glendora Light and Power Company to supply electric energy to the territory in question.

It is also apparent that the people now being served by Glendora Light and Power Company desire that this transfer shall be approved. having been filed in Application No. 183, to which reference is made in this application.

I find that public convenience and necessity require and will require the granting of this application, and recommend the following order:

**ORDER.**

The Glendora Light and Power Company having applied for an order authorizing it to sell to the Pacific Light and Power Corporation, for the sum of \$10,500.00, its electrical distributing system in and contiguous to the city of Glendora, Los Angeles County, California, and the Pacific Light and Power Corporation having applied for authority to purchase said electrical distributing system and for a certificate that public convenience and necessity require the exercise by it of the rights and privileges granted by Ordinance No. 143 regularly passed by the board of trustees of the city of Glendora on February 27, 1914; and it appearing that the interests of the public will best be served by granting this application,

*It is hereby ordered* that said application be and it is hereby granted, subject to the following conditions:

(1) That the price to be paid for said property shall not be binding, upon this Commission or any other regulatory body, as representing the true present value of the property for rate fixing or other purposes.

(2) Upon the execution of the deed of conveyance hereby authorized, the parties shall file certified copy thereof with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.

---

DECISION No. 1321.

IN THE MATTER OF THE APPLICATION OF CONSOLIDATED UTILITIES COMPANY TO SELL ITS ELECTRICAL DISTRIBUTING SYSTEM AT COMPTON, LOS ANGELES COUNTY, CALIFORNIA, TO PACIFIC LIGHT AND POWER CORPORATION, AND OF PACIFIC LIGHT AND POWER CORPORATION TO PURCHASE SAID ELECTRICAL DISTRIBUTING SYSTEM.

---

Application No. 1001.

*Decided March 9, 1914.*

---

Application of the Consolidated Utilities Company and the Pacific Light and Power Company, the one to sell and the other to buy a certain electrical distributing system in the town of Compton for the sum of \$8,500.00, granted.

*S. M. Haskins*, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

The Consolidated Utilities Company is a corporation organized and existing under the laws of the State of California for the purpose of conducting an electrical distributing system and also a telephone system in and contiguous to the town of Compton, Los Angeles County, California.

This company does not generate electric energy but has purchased same from the Pacific Light and Power Corporation and now desires to sell its electrical distributing system to said Pacific Light and Power Corporation.

The rates of the Consolidated Utilities Company have been 5 cents to 10 cents per kilowatt hour for power purposes and 10 cents to 15 cents per kilowatt hour for domestic use. The Pacific Light and Power Corporation agrees, if this transfer is permitted, to make a very substantial reduction in the rates, its rates being 8 cents per kilowatt hour maximum for domestic use and 2 cents to 6 cents per kilowatt hour for power purposes.

A statement of the financial condition of the Pacific Light and Power Corporation was filed with this Commission by said corporation in Application No. 721, to which reference is hereby made. A certified copy of the articles of incorporation of the Pacific Light and Power Corporation was filed with the Commission in Application No. 183.

A statement of the financial condition of the Consolidated Utilities Company was filed with the application and marked Exhibit "C." A copy of the articles of incorporation of said Consolidated Utilities Company was also filed with the application.

The original cost of the properties of the Consolidated Utilities Company which it now desires to sell to the Pacific Light and Power Corporation was shown by the testimony to have been about \$12,000.00. Testimony further showed that the present value of said property is about \$8,500.00, which is the sum now to be paid for the property.

A detailed description of the property is attached to the application and marked Exhibit "B."

Ordinance No. 93, passed by the board of trustees of the town of Compton on the 7th day of October, 1913, by the conditions of which a franchise was granted to the Pacific Light and Power Corporation to construct and, for a period of fifty years, to operate and maintain an electric pole and wire system for the purpose of conducting, transmitting and distributing electricity and electrical energy for lighting, heating and power purposes and for any and all other purposes for



which electricity can be used upon and along all the streets, alleys and thoroughfares in the town of Compton, California, was filed with the Commission.

A copy of resolutions passed by the board of trustees of Compton, approving of the transfer of this electrical distributing system from the Consolidated Utilities Company to the Pacific Light and Power Corporation, was filed, also, at the hearing.

It is apparent that it will be to the advantage of the people who are consumers of electric energy for heat, light and power purposes in Compton to have this transfer approved, as they will be benefited by a greatly reduced rate and, possibly, owing to the greater facilities of the Pacific Light and Power Corporation, by a more efficient service.

I find that public convenience and necessity require and will require the granting of this application, and recommend the following order:

**ORDER.**

Consolidated Utilities Company having applied for an order authorizing it to sell to Pacific Light and Power Corporation, for the sum of \$8,500.00, its electrical distributing system in and adjacent to the town of Compton, Los Angeles County, California; and the Pacific Light and Power Corporation having asked for authority to purchase said property for said sum; and having asked for a certificate that public convenience and necessity require the exercise by the Pacific Light and Power Corporation of the rights and privileges granted by Ordinance No. 93 of the town of Compton; and a hearing having been regularly held on said application; and it appearing that it should be granted,

*It is hereby ordered* that said application be and it is hereby granted, subject to the following conditions:

(1) The price to be paid for said electrical distributing agency by the Pacific Light and Power Corporation shall not hereafter be taken, before this Commission or any other regulatory body, as representing the true present value of the property for rate fixing or other purposes.

(2) Upon the execution of the deed of conveyance hereby authorized, the parties shall file a certified copy thereof with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.

## DECISION No. 1322.

## TOWN OF SISSON

vs.

## SOUTHERN PACIFIC COMPANY.

Case No. 507.

*Decided March 9, 1914.*

Complaint of the Town of Sisson alleges that the present depot maintained by defendant in said town is inadequate and unsuitable to handle the volume of passenger traffic at that point.

*Held*, Defendant directed to file, for the approval of the Commission, within thirty days, plans for a passenger depot to cost not less than \$6,000.00, and to construct said depot within sixty days after the approval of such plans. Defendant also directed to install, within sixty days, automatic crossing gates on both sides of its main line track crossing at Alma street.

*A. J. Foulds*, for the Southern Pacific Company.

*C. J. Luttrell*, for the Town of Sisson.

*Otto L. Hasse*, for Commercial Club of the Town of Sisson.

## REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

The Town of Sisson on November 17, 1913, filed with this Commission its complaint against the Southern Pacific Company, alleging in effect that the company's passenger facilities, in so far as they appertain to the town of Sisson, are inadequate and insufficient, and petitions this Commission to take such steps as may be within its power and as it may deem advisable to remedy the conditions complained of.

The complainant states that it is a municipal corporation of the sixth class, organized and existing under and by virtue of the laws of this State, with a population of about seven hundred (700) people, and an assessed value of property amounting to about four hundred thousand (400,000) dollars; that it is situated in a rich and growing agricultural section of Siskiyou County, and that large sawmills, box factories, and other lumbering interests are adjacent to it; that it is the junction of the Southern Pacific Company's main line and the McCloud River Railroad Company's line; that it is a progressive town, and has recently done much along the lines of general improvements; and that it possesses great natural advantages by reason of its location, and is a noted summer resort for tourists. The complainant further shows that notwithstanding the many improvements which it has made for itself within recent years, and notwithstanding its advantages as a municipality, the Southern Pacific Company maintains and has maintained since the burning of its railroad depot in the year 1907, a rail-

road depot which is very unsightly, insignificant, and entirely too small to adequately accommodate the traveling public and the people generally who have occasion to transact any business at this depot. Complainant further shows that it has called the attention of the Southern Pacific Company to the inadequacy of the existing facilities, and has requested on various occasions that a depot building be erected which will be in keeping with the size and importance and the general requirements of the town, but that no heed has been given to such requests.

The answer to this complaint was filed by the Southern Pacific Company on December 4, 1913; and the defendant admits that the station building now used by it for the accommodation of freight and passengers at Sisson is not adapted for the business transacted at this point, and also admits that the attention of its officers has been called, as alleged, to the inadequacy of this station; but the defendant denies that no heed has been given to the request for improved facilities. It further avers that the present station building at Sisson is a temporary structure, and was built to take the place of the former station building destroyed by fire, and that the reason why a new depot has not been constructed at Sisson is due to the fact that more pressing needs were met in other directions where the public has been under a similar disability for a greater length of time. The defendant also states that plans were being made for the construction of a building at Sisson which will accommodate the traffic at this place, and that it anticipates that such plans will be carried out some time during the coming year.

The Commission thereupon took steps to find if an amicable adjustment of the differences between the complainant and the defendant could not be reached. These attempts, however, failed, and a hearing was held in this case at Sisson on February 20, 1914. It was stipulated at the hearing that the matter of the location of the depot should be made a part of the complaint, and with the information on hand the case is now ready for decision.

The investigation made by the Commission's engineering department into the facts of this case shows that the statements made by the complainant with reference to the inadequacy and inconvenience of the present facilities at Sisson are substantially correct. It appears that prior to 1907 the Southern Pacific Company maintained a combination passenger depot and hotel at Sisson, which had cost in the neighborhood of fifteen thousand dollars, and that after the destruction by fire of this structure in 1907 there was available from the company's insurance fund the approximate sum of six or seven thousand dollars for the rebuilding of this station. It does not seem necessary, however, to consider further the question of necessity for improved passenger facilities at Sisson, since the defendant admits the allegations of the complainant in this respect.

Relative to the kind and character of the railroad depot to be constructed, the town of Sisson desires to have built a suitable and commodious depot, to be constructed of either concrete or concrete hollow tiles, the building to have two waiting rooms, each to be large enough to comfortably accommodate at least forty persons, and each of said waiting rooms to be suitably and comfortably furnished and supplied with all necessary conveniences, including lavatories, to be connected with the sewer system of the town of Sisson. The depot building should have ample and sufficient office and baggage rooms, suitably furnished, to accommodate all necessary employees and traffic. It is desired that the depot building have a projecting roof on the side facing the railroad track and on the opposite side of the building, said roof to extend on each side ten (10) feet beyond the base of the building. This projecting roof is wanted in order to protect passengers from the storms while waiting for trains. The town desires the structure to be substantially built and of proper architectural design.

A concrete or concrete hollow tile passenger depot of suitable design, in keeping with the importance of Sisson, would cost in the neighborhood of at least ten thousand dollars. I doubt the wisdom of ordering the defendant to construct a depot of this kind. The town of Sisson is situated in a rich and important timber region at the foot of Mount Shasta, and the most attractive and natural building material for a town and summer resort in this locality appears to me to be lumber. Not only will a lumber depot, I believe, be more attractive, but with a given cost a timber structure can be made more substantial and commodious than one of concrete. There is no doubt, however, in my mind that the town of Sisson is entitled to a new, substantial and attractive depot of sufficient size and of suitable design and construction to adequately serve the passenger traffic at that point.

I can not agree with the defendant's contention that the people of Sisson will be taken care of properly if the present structure is moved back from the main line track to afford a greater clearance; to enlarge it in order to provide for satisfactory baggage room and additional waiting room space; the interior rearranged so as to provide greater convenience; to make repairs as necessitated; to install toilets and lavatories as requested; and the whole structure painted, as outlined by the defendant. It is estimated that this rearrangement would cost in the neighborhood of three thousand dollars. After the expenditure of this sum of money, the passenger facilities would still remain inadequate and unsatisfactory. A new structure which will satisfy the complainant and do justice to all concerned can be erected for six thousand dollars. I am of the opinion that the difference of three thousand dollars, as between the cost of repairs and the cost of a new depot, will

prove a good and profitable investment for the defendant from every point of view.

Intimately connected with the matter of the kind and character of the depot to be constructed is the matter of the location of the structure. The complainant has stated that the depot should be located so that the side near the railroad track will be a considerable distance farther from the railroad track than the present depot, to the end that there will be ample room for passengers to pass, and baggage, mail, etc., to be moved between the railroad track and the depot without any injury to the passengers and employees of the defendant. It desires the depot to be built at least fifty (50) feet north from the present depot, so that there will be a direct entrance from Jessie street, in the town of Sisson. It is stated that this will enable the trains to stop at the depot without blocking Alma street, as is done at the present time. Alma street appears to be one of the principal thoroughfares of Sisson, and it is claimed that it is much used by school children going to and coming from the public schools, and that under the existing conditions this street is blocked and dangerous whenever trains moving north stop at the present depot. To accomplish the desired result the complainant wants the present water tank, which is now situated 350 feet north of the present depot building, moved at least 200 feet farther north from its present location. It appears that under present conditions, whenever a long northbound train is taking water at this tank, Alma street is blocked with from one to four cars and Ivy street is also blocked by the engine or engines pulling the train, so that under these conditions there appears to be practically no crossing left for the streets in this neighborhood.

The defendant seriously objects to a change in the location of the depot in a northerly direction, and especially to the moving of the water tank, on the ground that the desired object, namely, the permanent clearing of Alma street in all cases would not be accomplished and that very undesirable results would appear, considering the situation from an operating point of view. A study of local conditions shows that the distance between Ivy street and Alma street is approximately 900 feet. The water tank is now located approximately 800 feet northerly from the north line of Alma street. A train carrying more than ten cars, with the engine standing opposite the water tank, as at present located, will, with its rear cars, partly or entirely obstruct Alma street. There is, however, only about 100 feet distance between the present location of the water tank and the south line of Ivy street, and if any real relief were desired it would be necessary to move the tank to the north of Ivy street a distance of at least 200 feet, the location suggested by the town of Sisson. This, however, would bring the tank

opposite a four degree curve and on a 1.42 per cent ascending grade, which, of course, is a most undesirable location from a railroad operating and engineering point of view. Even if this were done, the desired result, namely, the clearing of Alma street, would not be accomplished in the case of very long trains, and a fourteen-car train, for instance, a not uncommon occurrence on this line, would still block Alma street. If the tank be moved at all, it would therefore need to be moved more than 200 feet north of its present location in order to relieve Alma street. Such a change would not only intensify the operating difficulties mentioned before, but would further introduce an element of inconvenience and danger, for the reasons that signals given by the conductor or other employee of the company at the station could not be seen by the locomotive engineer in the engine cab. With the water tank located as proposed by the complainant, every passenger train stopping at Sisson would also block Ivy street. Considering these facts and realizing their importance, I am loath to recommend the moving of the water tank as desired, and suggest that the solution of this problem be left to the Southern Pacific Company. There is nothing to prevent the location of the proposed depot opposite Jessie street, as desired by the complainant, and the defendant should so locate the new structure. An appropriate entrance should be built from that street by means of an incline or by a flight of steps, and the entrance should be supplied with a convenient landing and baggage chute.

The physical conditions at Sisson are peculiar, and I believe that the complainant should realize that this Commission can not be called upon to remedy conditions as to curves and grades which it was necessary for the railroad to introduce in this mountainous country. I am convinced, however, that the situation with reference to Alma street is dangerous, and should be remedied as far as it is possible to do so. I believe, therefore, that this crossing should be protected by automatic gates, located in such a way so as to adequately protect people using this street from north and south bound trains standing on or going over this crossing.

With a view of determining whether or not the complainant's contentions in regard to the importance of the town of Sisson were well founded, investigation was made into the traffic conditions, both passenger and freight, at Sisson. The following five tables will give an answer to this point.

SOUTHERN PACIFIC COMPANY.  
(Pacific System.)

TABLE No. 1.

Number of Tickets Sold and Receipts Therefrom at Sisson Station.

Month	Number of tickets sold	Receipts
1912—July .....	2,045	\$5,828 70
August .....	1,975	4,801 18
September .....	1,725	5,101 55
October .....	1,558	5,886 45
November .....	1,520	7,220 60
December .....	1,497	6,626 20
1913—January .....	1,085	3,240 60
February .....	1,037	2,564 95
March .....	1,194	2,829 55
April .....	1,403	3,247 72
May .....	1,531	5,610 09
June .....	1,714	4,741 39
Fiscal year .....	18,284	\$57,698 98
July .....	2,252	\$4,907 10
August .....	1,751	4,182 35
September .....	1,672	6,564 83
October .....	1,260	4,668 03
November .....	1,344	5,814 63
Last twelve months .....	17,740	\$54,997 44

TABLE No. 2.

Tickets Sold at Sisson for McCloud River Railroad Points.

Month	Tickets
1912—July .....	603
August .....	543
September .....	429
October .....	554
November .....	351
December .....	283
1913—January .....	256
February .....	693
March .....	631
April .....	742
May .....	610
June .....	505
Fiscal year .....	6,200
July .....	667
August .....	556
September .....	631
October .....	515
November .....	391
Last twelve months .....	6,480

TABLE No. 3.

Tourist Travel to Sisson and Vicinity, Season May 1 to October 31, 1913.

Excursion section	Destinations	Number of tickets sold	Revenue	Remarks
1	Cantara, Mott, Shasta, Mountain Home, Sisson.	666	\$7,157 20	From California points.
2	Sisson -----	39	171 95	From Oregon and northern California points.
4	Cantara, Mott, Shasta Mountain Home, Sisson.	4	41 80	Friday to Monday.
6	McCloud River points via Sisson.	709	\$7,370 95	
		261	2,670 05	
3	Sisson -----	970	\$11,041 00	Saturday to Monday, local points.
		908	782 40	
		1,878	\$11,823 40	

TABLE No. 4.

Summary of Passenger Travel Out of Sisson for the Period of Twelve Months Ending November 30, 1913.

Southern Pacific Company.....	Tickets sold at Sisson.....	17,740
	Excursion tickets to Sisson.....	1,617
McCloud River Railroad .....	Tickets sold at Sisson.....	6,480
	Excursion tickets via Sisson.....	261
Total .....		26,098
Average per day using depot.....		72
Average per train.....		15
(Five trains stop at Sisson daily.)		

TABLE No. 5.  
Freight Charges: Sisson.

Month	Forwarded		Received		Total
	Carloads	Less-carload	Carloads	Less-carload	
1912-July .....	\$61,708	\$722	\$4,909	\$5,460	\$72,800
August .....	45,977	674	8,094	5,630	60,374
September .....	34,768	655	2,853	3,178	41,454
October .....	25,753	518	4,448	2,941	33,660
November .....	29,781	549	6,811	2,460	39,601
December .....	27,122	371	4,842	2,002	34,337
1913-January .....	11,326	401	1,829	1,357	14,913
February .....	17,332	351	4,123	1,729	23,535
March .....	18,174	391	4,506	2,002	25,073
April .....	37,339	582	3,844	2,465	44,230
May .....	23,046	626	5,593	2,113	31,378
June .....	17,067	675	5,689	2,069	25,500
Fiscal year .....	\$349,393	\$6,515	\$57,541	\$33,406	\$446,855
July .....	\$11,975	\$725	\$2,084	\$3,629	\$18,413
August .....	19,769	720	5,373	3,170	29,032
September .....	23,493	669	11,578	3,212	38,932
October .....	14,362	668	4,368	3,046	22,443
November .....	7,400	852	4,605	2,326	15,183
Last twelve months.....	\$228,405	\$7,011	\$58,434	\$29,120	\$322,969

(Cents have been carried to nearest dollar.)



Table No. 1 gives for the Southern Pacific Company the number of tickets sold and the receipts therefrom, at Sisson, by months, from July, 1912, to November, 1913, inclusive, and shows that during the fiscal year ending June 30, 1913, a total number of 18,284 tickets were sold at Sisson, resulting in total receipts of \$57,698.98.

Table No. 2 gives for the McCloud River Railroad the number of tickets sold for the same period.

No revenue is shown for the reason that under the contract with that company the defendant furnishes freight, passenger and switching facilities, together with station forces, at the rental of one hundred (100) dollars per month, which rental is not affected by any changes in the amount of business done or in the character of structures at Sisson. This table shows that during the fiscal year ending June 30, 1913, 6,200 tickets were sold at Sisson for McCloud River Railroad points.

With reference to this table, it was contended at the hearing by counsel for the defendant that the revenue derived from such passenger business was irrelevant to the present issue, for the reason, as stated, that the monthly rental of one hundred dollars paid by the McCloud River Railroad Company was a fixed amount and constituted the defendant's sole revenue as far as this class of business was concerned. I can not subscribe to this point of view. It would appear on the face of it that under the terms of this contract the defendant furnishes its facilities to the McCloud River Railroad Company at a loss, and is discriminating in favor of that company. The question of a remedy for this condition is not a part of the present issue.

Table No. 3 gives the number of tickets sold by the defendant to Sisson and from Sisson during the tourist season of 1913, and the revenue derived therefrom under certain excursion rates.

Table No. 4 is a summary of the preceding three tables and shows the number of tickets sold at Sisson by the Southern Pacific Company for points on its own line and on the McCloud River Railroad, and also the number of excursion tickets to Sisson.

Table No. 5 gives for the Southern Pacific Company freight charges upon shipments entering into the accounts at Sisson. It should be stated that this table includes more than the Sisson business proper, for the reason that shipments originating at or destined to points on the McCloud River Railroad are taken into the accounts there and are included in the figures given. Nevertheless, the table is an unmistakable piece of evidence showing the importance of this town as a revenue producer, and while the freight facilities are not in question at this time, I believe it very proper to take cognizance of the fact that in the fiscal year ending June 30, 1913, the large amount of \$446,855.00 in freight charges entered the defendant's books at Sisson.

It is impracticable to arrive, from the foregoing information, at any totals showing the aggregate amounts of revenue originating at Sisson, for the reasons that certain revenue is not available in terms of money and that the five statements do not rest on the same basis. It is, however, not necessary to have such totals for the purpose in hand. There can be no doubt that the claim of the complainant with reference to its importance as a revenue producing point for the Southern Pacific Company is amply substantiated.

I find, therefore, as a fact that the present depot and passenger facilities of the defendant at Sisson are inconvenient and inadequate for the passenger traffic handled at that point, and that the defendant should erect a passenger depot on its property opposite Jessie street, in the town of Sisson, at a cost to it of not less than six thousand (6,000) dollars, to be either a lath and plaster or a wooden structure, or of a similar class of construction satisfactory to this Commission; and that thirty (30) days will be a reasonable time from the date of this order within which to submit plans for such depot and to secure the approval of the Commission; and that sixty (60) days will be a reasonable time after the approval of such plans by the Commission for the construction of such depot. I recommend to the defendant that in preparing its plans it should design a building of artistic appearance, suitable to the character and importance of the town of Sisson.

I find, further, that it would be most desirable, as a matter of safety and convenience, to have railroad facilities at Sisson arranged in such a way that Alma street would not be blocked by north bound passenger trains stopping at Sisson, as at present, and recommend that the defendant endeavor to change the present location of the water tank so as to bring about this result. I am not prepared at this time to make an order in this regard, and the matter will be left open for further disposition.

I find, further, that the present unprotected crossing at Alma street is dangerous, and that automatic crossing gates should be installed on both sides of the main line track to protect this crossing.

I submit herewith the following form of order:

#### ORDER.

The town of Sisson having filed with this Commission its complaint against the Southern Pacific Company in the proceeding entitled as above, and the Southern Pacific Company having filed with this Commission its answer, and a public hearing having been held and evidence having been presented by both parties, and the case having been submitted, and the Commission finding as a fact that the defendant's main line passenger depot in the town of Sisson is inconvenient and inadequate for the passenger traffic at that point, and that the Southern Pacific Company should erect opposite Jessie street, in the town of

Sisson, a passenger depot of the cost and type as hereinbefore specified, and basing its order on the findings contained herein and on the opinion which preceded this order,

*It is hereby ordered* as follows: The defendant shall within thirty (30) days from the service on it of this order present to the Railroad Commission for its approval plans for a passenger depot to be built on its property opposite Jessie street, in the town of Sisson, and shall within sixty (60) days after the approval by this Commission of such plans build on this location a passenger depot of lath and plaster, or of wood, or of a similar class of construction, and of such type and design as shall be approved by this Commission.

The defendant shall within sixty (60) days from the service on it of this order install on both sides of its main line track automatic crossing gates to protect the crossing at Alma street in the town of Sisson.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of California.

Dated at San Francisco, California, this 9th day of March, 1914.

---

DECISION No. 1323.

IN THE MATTER OF THE APPLICATION OF KERMAN TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

---

Application No. 678.

*Decided March 9, 1914.*

---

*Held*, Applicant authorized to increase its monthly rental rate for telephone service to its stockholders from \$1.00 to \$2.00 per month, and to issue 39 shares of capital stock in lieu of stock heretofore issued without the authorization of the Commission.

*Walter C. Ficklin and Mary R. Sandell*, for Applicant.

*J. E. Thomas*, for The Pacific Telephone and Telegraph Company.

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is an application of the Kerman Telephone Company, a company incorporated under the laws of this State, owning and operating a telephone system as a public utility without a franchise in Kerman and adjacent territory in Fresno County, California, for permission to increase its rates for telephone service. The application alleges that

the company can not transact business under its present rates; that the cost of conducting the business will be in excess of its receipts, and that it will be necessary to suspend operations entirely if relief is not granted in this particular.

A statement of operating revenues and expenses and a statement of the company's investment for the year ending January 1, 1913, were filed with the application, showing the net revenue for that year to be \$433.45 and the investment \$12,461.30. This net revenue would represent a return of approximately  $3\frac{1}{2}$  per cent on the amount invested. These statements, however, are found to be incorrect both as to the expense of operating and to investment, and for this reason can not be accepted as correctly representing this company's operations. Various amounts have heretofore been charged to expense of operation which should have been taken into capital account; no allowance whatever for depreciation has been made at any time, and the company's books have been so poorly kept that it would be a very difficult matter to obtain a correct accounting at this time.

There is a very considerable indebtedness against this company which has been outstanding for a considerable time, but from testimony of the company's representatives it appears that the difficulty in meeting these obligations may not be due so much to the result of insufficient rates as to a lack of proper business methods, and I am of the opinion that a remedy should be sought in some other way than by a general increase of rates.

As of the date of this application, this company has a total of 127 telephones in service, and it is now charging its patrons the following rates for telephone service:

Private lines in town, per month.....	\$2 50
Two-party lines in town, per month.....	2 00
Party lines (other than two-party) in town, per month.....	1 50
Extension telephones in town, per month.....	50
Party lines in country to stockholders, per month.....	1 00
Party lines in country to non-stockholders, per month.....	2 00

By this application the Commission is asked to authorize increases in these rates as follows:

One-party line, desk or wall instrument, business, per month.....	\$5 00
One-party line, desk or wall instrument, residence, per month.....	3 00
Two-party line, desk or wall instrument, residence, per month.....	2 00
Four-party line, wall instrument, residence, per month.....	1 50
All country lines, both stockholders and non-stockholders, wall telephones, per month.....	2 00
Extension telephones, business, per month.....	1 00
Extension telephones, residence, per month.....	50
Except as otherwise indicated, where desk sets are desired in place of wall sets, additional per month.....	25

The company's secretary testified that it is not now the desire of the company to place the entire new schedule above in effect, but

instead to increase only the rate for country lines to stockholders to \$2.00 per month, to correspond with the present rate to non-stockholders. So far as rate increases are concerned, therefore, this opinion and order will be considered as applying only to the latter rate.

The applicant some time ago entered into a contract with The Pacific Telephone and Telegraph Company for the interchange of long distance toll service, under the terms of which The Pacific Telephone and Telegraph Company paid it in commissions during the year 1913, \$357.75. The payment of this amount was on the basis of 5 cents for each message collected by the applicant for the Pacific Company. In other cases similar to this, with respect to handling its toll business, the Pacific Company has agreed with the Commission that it will allow its connecting companies a commission of 30 per cent of originating paid messages or the equivalent of 30 per cent divided between originating and incoming business, and at this hearing it agreed to do this for the Kerman Telephone Company. On the basis of 30 per cent, the Kerman Telephone Company would have been paid \$543.65 instead of \$357.75 as toll commissions for that year.

There are now sixty stockholders who pay \$1.00 per month whose rates would be increased \$1.00 each if this application were granted. Assuming that they would all retain service, the annual increase in revenue from this service would be \$720.00. Rental revenues for the year amounted to \$2,106.77, a considerable portion of which is still outstanding, and of which it is estimated about \$100.00 will be lost as uncollectible. Deducting this loss and adding the other items enumerated, the total revenues for 1913 would be as follows:

Total rentals -----	\$2,106 77
Less uncollectible -----	100 00
	<hr/>
	\$2,006 77
Increase from stockholders' rates -----	720 00
Commission on tolls, 30 per cent -----	543 65
	<hr/>
Total -----	\$3,270 42

The applicant testified that the total operating expense for 1913, exclusive of interest and annual depreciation charges, was \$2,779.04, but it was shown that this amount includes an item of \$1,275.39 which, with the exception perhaps of 25 per cent for current upkeep, was expended in new construction and should not be charged to expenses of operation. According to the testimony, the amount of interest not included was \$140.00. A revised plant and property statement was filed at the hearing showing the total investment to be \$8,304.90 instead of the amount claimed in the application. Depreciation to be charged to operating, figured at 4 per cent on this amount, would

amount to \$332.20. On this basis the total operating expense, net revenue and net return on the investment would be as follows:

Total expenses claimed .....	\$2,779 04
Less construction charges .....	1,275 39
	\$1,503 65
Twenty-five per cent of \$1,275.39 for maintenance.....	318 85
Interest .....	140 00
Depreciation .....	332 20
Total .....	\$2,294 70
Total revenues .....	\$3,270 42
Total expenses .....	2,294 70
Net revenue .....	\$975 72
Total amount invested .....	\$8,304 90
Less depreciation .....	332 20
Total value of plant .....	\$7,972 70
Return on investment .....	12.23 per cent

The applicant has a total issue of 238 6/7 shares of its stock outstanding, par value \$35.00 per share, of which amount it was shown at this hearing thirty-nine shares have been issued without the permission of the Commission since March 23, 1912, the effective date of the Public Utilities Act, as follows:

Date	Name	Shares	Number of certificate
Apr. 2, 1912	J. M. Graham.....	1 share	33
Apr. 10, 1912	Fresno Irrigated Farms Company.....	4 shares	34
May 3, 1912	Mrs. A. E. Morey.....	1 share	35
May 20, 1912	S. F. Springer.....	1 share	36
May 10, 1912	L. W. Boyd.....	1 share	37
June 19, 1912	L. H. Whitted.....	1 share	38
June 24, 1912	F. M. and W. L. Hart.....	1 share	39
July 10, 1912	Louie Sawal .....	1 share	40
Aug. 13, 1912	L. D. Miller.....	1 share	41
Aug. 13, 1912	D. E. Arnold.....	1 share	42
Sept. 3, 1912	E. O. Reese.....	1 share	43
Dec. 30, 1912	E. E. Kaufman.....	1 share	44
Jan. 20, 1913	A. G. Hays.....	1 share	45
Feb. 10, 1913	Flora E. Moore.....	1 share	46
Feb. 10, 1913	Emil Sawal .....	1 share	47
Mar. 1, 1913	Alice M. Sheppard.....	1 share	48
May 28, 1913	P. Bowdish.....	1 share	49
Dec. 31, 1913	H. T. Clark.....	1 share	50
Jan. 26, 1914	J. M. Baker.....	1 share	51
Feb. 5, 1914	F. J. Lemon.....	1 share	53
Feb. 10, 1914	J. Roberts .....	1 share	54
Feb. 17, 1914	J. Bahrenfus .....	1 share	55
Feb. 17, 1914	R. S. Cormack.....	1 share	56
Feb. 17, 1914	R. S. Elliott.....	1 share	57
Feb. 17, 1914	Edw. Hoag .....	1 share	58
Feb. 17, 1914	Dairy Farm .....	1 share	59
Feb. 17, 1914	A. Kap .....	1 share	60
Feb. 17, 1914	Kerman Alfalfa Company.....	1 share	61
Feb. 17, 1914	B. A. Larson.....	1 share	62
Feb. 17, 1914	Eric Larson .....	1 share	63
Feb. 17, 1914	Jacob Mansar .....	1 share	64
Feb. 17, 1914	Riverside Vineyard .....	1 share	65
Feb. 17, 1914	A. Spreckles .....	1 share	66
Feb. 17, 1914	A. D. Ansland.....	1 share	67
Feb. 17, 1914	A. O. Hansen.....	1 share	68
Feb. 17, 1914	E. J. and M. R. Spafford.....	1 share	69

According to the testimony this stock was issued in ignorance of the fact that the law requires the Commission's approval, and, although this application does not involve permission to issue stock, in view of the testimony it was agreed at the hearing that authority to issue new stock in lieu of that which has been issued unlawfully would be requested, and I shall recommend that this permission be granted.

With reference to the indebtedness of this company to which reference has previously been made, it appears that \$1,750.00 is owing to the First National Bank of Kerman and \$1,392.52 to other firms, some of which debts have been outstanding for about three years.

From the figures of revenue, expense and investment given above, while these figures indicate that on the basis outlined the company would earn a net return equal to approximately 12½ per cent of the money invested, it is to be noted that the figures indicating expenses of operation are only estimated figures, and in view of the fact that no salaries have heretofore been paid its employees other than operators and linemen, and of the lack of proper accounting methods heretofore employed by this company, I am not convinced that this showing is altogether reliable.

A note held by the bank to secure its loan has been recently renewed without the Commission's approval, which, for this reason, is worthless, and, in view of the possibility that payment of these liabilities may be demanded at any time should the creditors decide upon making demand, I have suggested to the applicant that an assessment of \$20.00 per share or such other amount as may be necessary to take up these accounts be levied against each of the company's stockholders.

With reference to allowing the applicant to increase its rate to stockholders from \$1.00 to \$2.00 per month, the Commission has previously taken the position that discrimination in rates in favor of stockholders is not justified. The Commission has taken this position on the ground that stockholders should be paid interest on their investment in the form of dividends, and under proper and judicious management there is no apparent reason why this company should not be able to do so. I am, therefore, of the opinion that this discrimination should be removed and shall recommend that this permission be granted.

The following form of order is recommended:

#### ORDER.

Application having been made to this Commission by Kerman Telephone Company, a corporation owning and operating a telephone system without a franchise in Kerman and adjacent territory in Fresno County, California; and a public hearing having been held thereon, and it having been agreed at the hearing that the said Kerman Telephone Company would request permission of the Commission to issue

thirty-nine shares of its capital stock at the par value of \$35.00 per share, in lieu of stock previously issued without the permission of this Commission in ignorance of the provisions of the Public Utilities Act requiring such permission; and the various matters involved in the application herein having had the careful consideration of the Commission.

*It is hereby ordered* that the applicant, Kerman Telephone Company, be and it hereby is granted permission to increase its monthly rates for telephone service for its stockholders from \$1.00 per month to \$2.00 per month; and

*It is hereby further ordered* that the said Kerman Telephone Company be and it hereby is permitted to issue thirty-nine shares of its capital stock on the following conditions and not otherwise, to wit:

1. Said stock herein authorized shall be issued to the following persons in substitution for an equal number of shares shown to have been issued as follows:

Date	Name	Shares	Number of certificate
Apr. 2, 1912	J. M. Graham.....	1 share	33
Apr. 10, 1912	Fresno Irrigated Farms Company.....	4 shares	34
May 3, 1912	Mrs. A. E. Morey.....	1 share	35
May 20, 1912	S. F. Springer.....	1 share	36
May 10, 1912	L. W. Boyd.....	1 share	37
June 19, 1912	L. H. Whitted.....	1 share	38
June 24, 1912	F. M. and W. L. Hart.....	1 share	39
July 10, 1912	Louie Sawal.....	1 share	40
Aug. 13, 1912	L. D. Miller.....	1 share	41
Aug. 13, 1912	D. E. Arnold.....	1 share	42
Sept. 3, 1912	E. O. Reese.....	1 share	43
Dec. 30, 1912	E. E. Kaufman.....	1 share	44
Jan. 20, 1913	A. G. Hays.....	1 share	45
Feb. 10, 1913	Flora E. Moore.....	1 share	46
Feb. 10, 1913	Emil Sawal.....	1 share	47
Mar. 1, 1913	Alice M. Sheppard.....	1 share	48
May 28, 1913	P. Bowdish.....	1 share	49
Dec. 31, 1913	H. T. Clark.....	1 share	50
Jan. 26, 1914	J. M. Baker.....	1 share	51
Feb. 5, 1914	F. J. Lemon.....	1 share	53
Feb. 10, 1914	J. Roberts.....	1 share	54
Feb. 17, 1914	J. Bahrenfus.....	1 share	55
Feb. 17, 1914	R. S. Cormack.....	1 share	56
Feb. 17, 1914	R. S. Elliott.....	1 share	57
Feb. 17, 1914	Edw. Hoag.....	1 share	58
Feb. 17, 1914	Dairy Farm.....	1 share	59
Feb. 17, 1914	A. Kap.....	1 share	60
Feb. 17, 1914	Kerman Alfalfa Company.....	1 share	61
Feb. 17, 1914	B. A. Larson.....	1 share	62
Feb. 17, 1914	Eric Larson.....	1 share	63
Feb. 17, 1914	Jacob Mansar.....	1 share	64
Feb. 17, 1914	Riverside Vineyard.....	1 share	65
Feb. 17, 1914	A. Spreckles.....	1 share	66
Feb. 17, 1914	A. D. Ansland.....	1 share	67
Feb. 17, 1914	A. O. Hansen.....	1 share	68
Feb. 17, 1914	E. J. and M. R. Spafford.....	1 share	69



2. Before said capital stock shall be issued the certificates of stock in lieu of which said stock is hereby authorized to be issued shall be called in by the applicant and cancelled; provided that this permission is not to be taken as approval of the rates, since the Commission has not yet passed upon their ultimate reasonableness.

This order to be and become effective April 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.

---

DECISION No. 1324.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AN ORDER AUTHORIZING IT TO PURCHASE A CERTAIN ELECTRIC DISTRIBUTING SYSTEM AT SAN FERNANDO, CALIFORNIA, FROM MACLAY RANCHO WATER COMPANY AND CONSOLIDATED SECURITIES COMPANY.

Application No. 980.

IN THE MATTER OF THE APPLICATION OF CONSOLIDATED SECURITIES COMPANY FOR AN ORDER AUTHORIZING IT TO SELL ITS ELECTRIC DISTRIBUTING SYSTEM AT SAN FERNANDO TO SOUTHERN CALIFORNIA EDISON COMPANY.

---

Application No. 981.

*Decided March 9, 1914.*

---

Application of the Consolidated Utilities Company and the Southern California Edison Company, the one to sell and the other to buy a certain electrical distributing system in the town of San Fernando for the sum of \$9,000.00, granted.

*H. H. Trowbridge*, for Southern California Edison Company.

*W. J. Williams*, for Consolidated Securities Company.

REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

Maclay Rancho Water Company is the owner, and Consolidated Securities Company is in possession under a contract to purchase, of a small electric distributing system in San Fernando, Los Angeles County, California. For further details, see the petition and order

in Application No. 545, Maclay Rancho Water Company and Consolidated Securities Company, Vol. 2, California Railroad Commission Decisions, page 927.

This system is located in the northerly and easterly portions of the city and serves twelve customers with power and forty-seven with light. The electric energy is purchased from Southern California Edison Company and is delivered from the latter company's substation outside the city limits. The system was constructed about seven years ago, and is said to have cost about \$12,000.00. The present maximum rate for lighting is 9 cents per kilowatt hour, and for power 6 cents per kilowatt hour. The city is also being served with electric energy by John T. Wilson, as will appear from this Commission's opinion in Application No. 977, to which opinion reference is hereby made.

Maclay Rancho Water Company and Consolidated Securities Company are both primarily engaged in the land business, and neither company desires to engage permanently in the business of serving the public with electric energy. These companies accordingly took up with the Southern California Edison Company the matter of selling their system to this company. The result of these negotiations is contained in an oral agreement by which the former companies are to sell this system and the latter company is to purchase it for the sum of \$9,000.00.

The superintendent of the Southern California Edison Company testified that he had caused an appraisal of this property to be made, that the reproduction value new is \$10,600.00, and that the present depreciated reproduction value is \$9,012.32. The purchase price agreed upon is \$9,000.00.

This system is being operated under a franchise granted to F. A. Powell by Ordinance No. 65 (new series) of the county of Los Angeles, granted before San Fernando was incorporated.

The Maclay Rancho Water Company and the Consolidated Securities Company ask authority to transfer their rights under this franchise to Southern California Edison Company, and the latter company asks authority to exercise rights and privileges thereunder.

The evidence shows that Southern California Edison Company is better equipped than Maclay Rancho Water Company or Consolidated Securities Company to supply electric energy to this territory, that the territory now being served by the system of the latter companies is adjacent to the territory which is being supplied by the Southern California Edison Company, and that if the application is granted the Southern California Edison Company will accord to the patrons of this system its regular rates for this class of service, being a maximum of 7 cents per kilowatt hour for lighting and 6 cents per kilowatt hour for power, thus effecting a reduction from the existing rates.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

Maclay Rancho Water Company and Consolidated Securities Company having applied for an order authorizing the sale of their electric distributing system in the city of San Fernando, Los Angeles County, California, including their rights under franchise granted to F. A. Powell by Ordinance No. 65 (new series) of the county of Los Angeles, to Southern California Edison Company for the sum of nine thousand dollars (\$9,000.00), and Southern California Edison Company having applied for an order authorizing it to purchase said property for said sum, and declaring that public convenience and necessity require the exercise by it of the rights and privileges granted by said ordinance, and a public hearing having been held upon said applications and it appearing that they should be granted,

*It is hereby ordered* that said applications be and the same are hereby granted, upon the following conditions:

1. The price to be paid for said property shall not hereafter be taken before this Commission, or any other public authority, as representing for rate fixing or other purposes the true present value of the property.

2. Upon the execution of the deed of conveyance hereby authorized, the parties shall file a certified copy thereof with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.

---

DECISION No. 1325.

IN THE MATTER OF THE APPLICATION OF CONSOLIDATED  
SECURITIES COMPANY FOR AN ORDER AUTHORIZING  
THE EXECUTION OF A PROMISSORY NOTE FOR SIX-  
TEEN THOUSAND DOLLARS.

---

Application No. 1026.

*Decided March 9, 1914.*

---

Applicant authorized to execute its promissory note in the sum of \$16,000.00 bearing interest at the rate of 7 per cent per annum, \$9,000.00 of the proceeds thereof to be paid to the Maclay Rancho Water Company in exchange for a certain electrical distributing system in the town of San Fernando, and the balance for other than public utility purposes.

W. J. Williams, for Applicant.

## REPORT OF THE COMMISSION.

THELEN and GORDON, *Commissioners*.

This is an application for an order authorizing the execution by applicant of a promissory note of the face value of \$16,000.00.

Applicant is operating, under contract to purchase from Maclay Rancho Water Company, a telephone utility, a water utility and an electric utility, in and about San Fernando, Los Angeles County, California. In its Decision No. 669 (2 C. R. C. Dec. 927) on Application No. 545, rendered on May 15, 1913, this Commission heretofore authorized Maclay Rancho Water Company to sell all said utility properties, as well as certain non-utility properties, to applicant, but such sale has not as yet been consummated. In its Decision No. 1324, rendered on March 9, 1914, in Application No. 981, this Commission authorized Maclay Rancho Water Company and Consolidated Securities Company to sell said electric utility property to Southern California Edison Company for the sum of \$9,000.00. The purchaser will pay for the plant by receipting a bill which it now holds against the applicant herein for \$6,747.70 for electric energy heretofore supplied and by supplying further electric energy up to the total sum of \$9,000.00 for use by applicant for pumping.

Applicant now asks authority to execute a promissory note for \$16,000.00, to be dated January 31, 1914, and to bear interest at the rate of 7 per cent per annum, payable semiannually, payable to the Pacific Mutual Life Insurance Company of California, or order, five years after date. The proceeds to the extent of \$9,000.00 are to be paid to Maclay Rancho Water Company, the holder of the legal title to said electric system, to secure a deed from that company to the Southern California Edison Company, and the remaining \$7,000.00 are to be used to pay existing indebtedness which is a lien on certain real estate which is described in the petition herein and which applicant desires to mortgage to secure said note. This real estate is not necessary or useful in the performance of applicant's duties to the public and this Commission's consent to the mortgaging thereof is not necessary.

Applicant's principal business is the purchase and sale of land. Its public utility functions are only incidental. While applicant must account to this Commission for the disposition of said sum of \$9,000.00, it will not be necessary to account for the \$7,000.00 which are not to be expended for public utility purposes. By reason of the peculiar facts of this case, we shall not apply in all their strictness the principles which we apply to corporations and persons engaged solely or principally in a public utility business.

We recommend that such portion of the application as requires this Commission's consent be granted and submit herewith the following form of order:

**ORDER.**

Consolidated Securities Company having applied to the Railroad Commission for an order authorizing the execution of a promissory note, to be dated January 31, 1914, amount \$16,000.00, interest 7 per cent per annum, payable semiannually, term five years after date, payable to the Pacific Mutual Life Insurance Company, in substantially the form set forth in the petition herein, and a public hearing having been held upon said application,

*It is hereby ordered* that said application be and the same is hereby granted, on the following conditions and not otherwise, to wit:

1. Consolidated Securities Company shall issue said note so as to net not less than the face value thereof.

2. Consolidated Securities Company shall file with this Commission a certified copy of the deed from the Maclay Rancho Water Company, when executed.

3. Consolidated Securities Company shall report to this Commission the fact and the terms of the issue of said note and the disposition of the proceeds to the extent of \$9,000.00, as provided in the opinion which precedes this order.

4. This order shall not become effective until Consolidated Securities Company has paid on the amount of \$9,000.00 the fee specified by section 57 of the Public Utilities Act, as amended.

5. This order shall apply only to such promissory note as shall have been issued prior to April 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.

## DECISION No. 1326.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN VALLEY FARM LANDS COMPANY FOR PERMISSION TO SELL AND TRANSFER ITS TELEPHONE LINES AND SYSTEM LOCATED IN FRESNO COUNTY, AND LOUIS EVANS TO ASSIGN AND TRANSFER HIS RIGHTS AS LESSEE THEREIN, AND THE SAN JOAQUIN VALLEY TELEPHONE COMPANY TO ACCEPT SUCH SALE, TRANSFER AND ASSIGNMENT, AND TO ISSUE STOCK AND EXERCISE CERTAIN FRANCHISES.

---

Application No. 928.

*Decided March 9, 1911.*

---

San Joaquin Valley Farm Lands Company and Louis Evans granted authority to transfer to the San Joaquin Valley Telephone Company their certain telephone system located in Fresno County, California, and the San Joaquin Valley Telephone Company is authorized to accept and operate said system, and to issue stock of the par value of \$2,500.00, proceeds to be used for betterments and improvements thereto.

*Luther P. Spalding*, representing O'Brien & Spalding, attorneys for Applicant.

## REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

On June 26, 1913, this Commission rendered its Decision No. 448 granting the application of The Pacific Telephone and Telegraph Company and of Louis Evans, the former to withdraw from and the latter to operate a telephone system in the towns of Graham, now known as San Joaquin, and Tranquility and contiguous territory in Fresno County, California. On the same date, in its Decision No. 458, the Commission also permitted the Graham Farm Lands Company, owners of certain telephone lines and equipment in this territory, to lease its telephone property to Louis Evans for a term of five years from January 1, 1913.

The Graham Farm Lands Company, upon its petition to the Superior Court of Los Angeles County being granted by the court, changed the name of its incorporation on July 28, 1913, to San Joaquin Valley Farm Lands Company.

The San Joaquin Valley Telephone Company was incorporated on November 3, 1913, under the laws of this State, and is about to engage in the telephone business as a business enterprise under a franchise for which it intends to apply to the board of supervisors of Fresno County.

As owners of the telephone lines and equipment referred to above the San Joaquin Valley Farm Lands Company desires to sell its telephone property to the San Joaquin Valley Telephone Company. On November 19, 1913, Louis Evans and the San Joaquin Valley Telephone Company agreed, subject to approval by this Commission, to the assignment of the lease above referred to and to the assignment of a connecting agreement heretofore entered into between Louis Evans and The Pacific Telephone and Telegraph Company for the interchange of service to the San Joaquin Valley Telephone Company, Mr. Evans having severed his relations with the land company and having moved from Fresno County.

This application made jointly by these three applicants is for permission to formally complete these transfers in conformity with the Public Utilities Act. It involves also the issue of 1,000 shares of its capital stock, which is the entire amount of capital stock named in its articles of incorporation, at the par value of \$10.00 per share by the San Joaquin Valley Telephone Company. It is desired to issue this stock in the amounts, in the manner, and for the purposes following:

1. Seven hundred and fifty shares to be issued to the San Joaquin Valley Farm Lands Company in payment for the transfer of this telephone property and of certain rights of way.

2. Two hundred and forty-three shares to be issued to the San Joaquin Valley Farm Lands Company for the aggregate price of \$2,430.00 in cash.

3. Three shares to be issued to Frank H. Edwards for the aggregate price of \$30.00.

4. One share to be issued to James M. O'Brien for the price of \$10.00.

5. Three shares to be issued to Luther P. Spalding for the aggregate price of \$30.00.

The applicant desires to use the proceeds from the sale of the 250 shares mentioned in subdivisions 2, 3, 4 and 5 of this paragraph for the maintenance, repair and upkeep of this telephone system.

The Commission is asked by the petitioners—

*First*—To approve and authorize the sale and transfer of this telephone system and certain rights of way therefor by the San Joaquin Valley Farm Lands Company to the San Joaquin Valley Telephone Company, and the transfer and assignment of the lease and of the connecting agreement, hereinbefore referred to, by Louis Evans to the San Joaquin Valley Telephone Company.

*Second*—To permit Louis Evans to discontinue and the San Joaquin Valley Telephone Company to assume the maintenance, operation and control of the said telephone system.

*Third*—To issue its order declaring that it will hereafter, upon proper application therefor and upon satisfactory evidence that the franchise hereinbefore mentioned has been secured by the applicant, San Joaquin Valley Telephone Company, issue its certificate

of public necessity and convenience in accordance with Rule XIII of its Rules of Procedure.

*Fourth*—To authorize the sale, issuance and delivery by the San Joaquin Valley Telephone Company of its entire capital stock in the amounts and to the persons and for the consideration and purposes hereinabove set forth.

There appears to be no adequate reason for objecting to the sale and transfer of this telephone system under proper conditions and under reasonable terms which I shall later discuss, or to the transfer and assignment of the lease and of the connecting agreement to the San Joaquin Valley Telephone Company, and under such conditions and terms I am willing to recommend that this portion of the application be granted.

With reference to the issuance and transfer of 750 shares of the capital stock at the par value of \$10.00 per share of the San Joaquin Valley Telephone Company to the San Joaquin Valley Farm Lands Company as consideration for the sale and transfer of this telephone system and of these rights of way, while it is my opinion that the amount of capital actually invested in this property may be in reasonable proportion to the amount of capital stock of the telephone company fixed upon as the price of the transfer, the applicants have failed utterly and absolutely to show that the value of the property is equal to anything even remotely approximating that amount. At the close of the last year, there was a deficit of approximately \$1,200.00, about \$900.00 of which amount represents the actual loss of that year's business, and while the applicants claim that the next year's business will show a better result, due partly to the elimination of a considerable amount of the operating expense which has been heretofore borne, I do not feel justified in recommending the approval of a stock issue in the amount asked for on this basis. As to the value of rights of way for this company's lines, I shall again refer later.

With reference to permitting Louis Evans to discontinue the maintenance, operation and control of this telephone system and to permitting the San Joaquin Valley Telephone Company to assume that responsibility, and with reference to the issuance of a certificate of public convenience and necessity to this company, I see no reasonable objection.

With reference to the issuance, sale and delivery of 750 shares of the capital stock by the San Joaquin Valley Telephone Company to the San Joaquin Valley Farm Lands Company, I have already stated that I can not recommend the approval of the amount named as consideration for the sale and transfer of this telephone property.

With reference to the issue and sale of the remaining 250 shares of its capital stock and the purposes for which the proceeds of their sale are intended to be used, the law will not permit public utilities to apply



the proceeds of stock sales to purposes which are in whole or in part reasonably chargeable to operating expenses or to income. The Commission can not grant permission to issue and sell stock and allow the proceeds therefrom to be used for maintenance, repair and upkeep, and the applicants were advised of this fact at the hearing.

It was shown at this hearing that the directorate of these two corporations, the San Joaquin Valley Farm Lands Company and the San Joaquin Valley Telephone Company, is to all intents and purposes identical. It was also shown conclusively that one of the incentives, if not the primary purpose, prompting the organization of this telephone system as it now exists is its indispensability as a factor in facilitating the sale of real estate by the San Joaquin Valley Farm Lands Company and its predecessors, and that its present existence as a public utility is but an incidental result of its operation in those interests. That it possesses a value as a necessary public utility is very plain, and that its value as a public necessity will increase with the further development and improvement of this land is likewise probable, but it is also reasonably apparent that its past as well as its present value has been and now is chiefly to the promoters of these land sales, and to this extent, in my opinion, such value is a fictitious value and one against which it is the plain duty of this Commission to protect innocent and unsuspecting purchasers of stock. I am also of the opinion that such amounts as may have been advanced by the Farm Lands Company and expended by it on this telephone system in excess of the actual requirements of the telephone system as a public utility should be charged off its books by the telephone company and deducted from the amount of its capital investment.

As to rights of way which are to be transferred by the land company, it is also my opinion that their value is similarly a fictitious value. Further than this, no amount has been named by the applicants as the actual consideration for their transfer, and unless actually paid for in cash or in kind, such values can not be admitted as tangible assets.

These various matters having been frankly directed to the attention of these applicants, it was suggested to them that the Commission may be willing to sanction a contingent sale and transfer of this property for a nominal consideration and the issuance and sale of stock at par value in such reasonable amounts as may be necessary to procure funds for betterments and extensions. It was also suggested that the applicants may, after the expiration of another year, make application to the Commission asking that it determine a valuation of this property for the purpose of a further stock issue and to issue stock in accordance therewith. It was accordingly agreed that this application shall be considered amended to this extent and that at the time suggested

a further application will be made, and such information as may be required for the determination of a proper valuation of the property necessary for the operation of this telephone system as a public utility, entirely separate from its association with the Farm Lands Company, will be submitted. The order herein recommended shall, therefore, apply only to the application as hereinabove amended.

The Commission is now petitioned—

*First*—To authorize a contingent sale and transfer of the telephone system hereinabove referred to for a nominal consideration by the San Joaquin Valley Farm Lands Company to the San Joaquin Valley Telephone Company.

*Second*—To permit the San Joaquin Valley Telephone Company to issue and to sell 250 shares of its capital stock at the par value of \$10.00 per share in the amounts and to the persons named below, the proceeds of the sale of this stock to be used for making betterments and extensions to the applicant's telephone system:

(a) Two hundred and forty-three shares to be issued to James M. O'Brien as trustee of the San Joaquin Valley Farm Lands Company for the aggregate sum of \$2,430.00, of which said aggregate sum the sum of \$243.00, or 10 per cent of the par value of said shares, has been heretofore actually paid to Frank H. Edwards, trustee of the San Joaquin Valley Telephone Company, for the benefit of said corporation.

(b) Three shares to be issued to Frank H. Edwards for the aggregate sum of \$30.00.

(c) One share to be issued to James M. O'Brien for the sum of \$10.00.

(d) Three shares to be issued to Luther P. Spalding for the aggregate sum of \$30.00.

The shares mentioned in subdivisions (b), (c), and (d) above have been duly subscribed for by the persons named in the articles of incorporation of the San Joaquin Valley Telephone Company and the sum of \$70.00, being the aggregate par value and purchase price thereof, having been heretofore actually paid to Frank H. Edwards, treasurer of the San Joaquin Valley Telephone Company, for the benefit of said corporation.

*Third*—To approve and authorize the transfer and assignment of the lease and of the connecting agreement, hereinabove referred to, by Louis Evans to the San Joaquin Valley Telephone Company and to permit Louis Evans to discontinue and the San Joaquin Valley Telephone Company to assume the maintenance, operation and control of the said telephone system.

*Fourth*—To issue its order declaring that it will hereafter, upon proper application therefor and upon satisfactory evidence that the franchise hereinabove mentioned has been secured by the applicant, San Joaquin Valley Telephone Company, issue its certificate of public convenience and necessity in accordance with Rule XIII of its Rules of Procedure.

Under the circumstances above discussed and upon the conditions herein set forth, I recommend the following form of order:

**ORDER.**

Application having been made to this Commission by San Joaquin Valley Farm Lands Company for permission to sell and transfer its telephone lines and system located in Fresno County, California, and Louis Evans to assign and transfer his rights as lessee therein, and the San Joaquin Valley Telephone Company to accept such sale, transfer and assignment and to maintain and operate such telephone system, and to issue stock and exercise certain franchises, and a public hearing having been held thereon, and applicants herein, through their attorneys, having agreed that this application shall be modified as specifically set forth in the opinion accompanying this order, and no reasonable objection to the application as herein modified appearing to the Commission, and it further appearing to the Commission that the purposes for which the San Joaquin Valley Telephone Company desires to issue its capital stock as specified in the amended application are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the application herein be and the same is hereby granted; provided, that a contingent sale and transfer of the said telephone lines and system shall be made by the San Joaquin Valley Farm Lands Company to the San Joaquin Valley Telephone Company for a nominal consideration; and provided, further, that the San Joaquin Valley Telephone Company shall issue and sell 250 shares of its capital stock at not less than \$10.00 per share par value thereof for cash in the amounts and to the persons named as follows:

(a) Two hundred and forty-three shares to James M. O'Brien as trustee for the San Joaquin Valley Farm Lands Company for the aggregate sum of \$2,430.00.

(b) Three shares to Frank H. Edwards for the aggregate sum of \$30.00.

(c) One share to James M. O'Brien for the sum of \$10.00.

(d) Three shares to Luther P. Spalding for the aggregate sum of \$30.00.

And provided, further, that the amounts heretofore paid in cash or to be paid for the sale of said shares of capital stock by the holders thereof to the said San Joaquin Valley Telephone Company shall be used in making betterments and additions to the applicant's telephone system and not otherwise, to wit:

1. For extending present lines, for building new lines and for installing additional telephones, \$2,500.00.

2. The San Joaquin Valley Telephone Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds derived from the amount of stock herein author-

ized to be sold, and on or before the twenty-fifth day of each month shall make a verified report to the Commission of the amounts herein authorized to be sold, the terms and conditions under which the said sums are obtained and the disposition of same, all in accordance with this Commission's General Order No. 24, which, in so far as applicable, is made a part of this order.

3. This order shall apply only to funds obtained from stock sold within six months from the date of this order.

And provided, further, that the applicant, San Joaquin Valley Telephone Company, may, if it so elects, after the expiration of one year from the date of this order, petition this Commission to place a valuation upon this telephone system for the purpose of authorizing a further issue and sale of stock, and that at such time it shall file with its application an itemized inventory and appraisal of its telephone plant and property, omitting such portions of its total capital investment as may have been expended for the sole purposes and benefit of the San Joaquin Valley Farm Lands Company and its predecessors and not actually necessary aside from those interests in the operation of this telephone system for the benefit of the public, and a statement in detail of its revenue and operating expenses for the said same period of one year, and such other information as may be necessary to enable the Commission to properly determine the value of this property.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.

---

DECISION No. 1327.

IN THE MATTER OF THE APPLICATION OF JOHN T. WILSON TO SELL HIS ELECTRIC DISTRIBUTING SYSTEM AT SAN FERNANDO, CALIFORNIA, TO PACIFIC LIGHT AND POWER CORPORATION, AND OF PACIFIC LIGHT AND POWER CORPORATION TO PURCHASE SAID PROPERTY.

---

Application No. 977.

*Decided March 9, 1914.*

---

Application of John T. Wilson, operating an electrical distributing system in the town of San Fernando, to sell said system to the Pacific Light and Power Company and of the latter company to buy said system for the sum of \$16,000.00, and exercise franchise rights thereunder, granted.

*Gibson, Dunn & Crutcher and Thomas Haskins, for Applicant.*

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is one of three applications for authority to sell small electric distributing systems located in and adjacent to San Fernando, Los Angeles County, California. For the other two applications, see the opinions this day rendered in Applications No. 980 and No. 981, Maclay Rancho Water Company and Consolidated Securities Company and Application No. 978, San Fernando Mission Land Company.

John T. Wilson owns and operates an electric distributing system in San Fernando and territory adjacent thereto. He secures his current from San Fernando Mission Land Company, which in turn receives it from the Southern California Edison Company's substation located outside of San Fernando, about half a mile distant from the city.

Mr. Wilson serves some 243 customers, supplies both light and power, covers nearly the entire city, and sells his electricity for a maximum of 9 cents per kilowatt hour for lighting and 6 cents per kilowatt hour for power. He testified that he is not an electrician and that he desires to quit the business. The representatives of the Pacific Light and Power Corporation have been negotiating with him, with the result that a written agreement to sell and to purchase his entire system for \$16,000.00 has been entered into. A copy of the agreement is attached to the petition herein and marked Exhibit "A," and is hereby referred to.

The general manager of the Pacific Light and Power Corporation testified that the reproduction value new of the property is estimated at \$19,900.00, and the depreciated reproduction value at \$16,000.00, the price agreed to be paid.

Applicants presented a certified copy of Ordinance No. 74 of the city of San Fernando, passed on August 18, 1913, granting to John T. Wilson a franchise to construct, and for forty years to operate and maintain, an electric pole and wire system in, on, over, across and along, all public roads, streets, alleys, and other public places, within the city of San Fernando, and also an assignment of the rights thereunder from John T. Wilson to Pacific Light and Power Corporation, dated February 27, 1914. Applicants asked that their petition be amended so as to set forth the grant and assignment of this franchise, and to request authority on the part of John T. Wilson to assign it to Pacific Light and Power Corporation, and also to request a certificate declaring that public convenience and necessity require the exercise of rights and privileges thereunder by Pacific Light and Power Corporation. This request was granted without the necessity of formal amendment.

If this application is granted, Pacific Light and Power Corporation will build a substation near the heart of the city and will distribute

electric energy directly therefrom throughout San Fernando. They will also reduce the rates to a maximum of 7 cents per kilowatt hour for lighting and 6 cents per kilowatt hour for power.

The Commission made inquiry at the hearing to ascertain whether there is any agreement between Southern California Edison Company and Pacific Light and Power Corporation with reference to a division of territory in San Fernando, and to learn how it comes that each of these companies has simultaneously bought one of the two existing electric distributing systems in this city. The representatives of these companies stated that there is no agreement for the division of territory, and that the filing of all these applications on the same day is merely a fortuitous circumstance, not indicating any understanding or concerted action on the part of these two companies.

The applicants presented a resolution of the board of trustees of the city of San Fernando, adopted on February 9, 1914, requesting that this Commission grant the permission herein asked for. No one appeared in opposition.

I desire to draw the attention of Pacific Light and Power Corporation to the fact that one of the notes which the company intends to give in payment for this property is to run for more than twelve months. If the company adheres to this method of payment, it must first secure this Commission's consent to the issue of this note, as provided by section 52 of the Public Utilities Act.

I recommend that the application be granted, and submit herewith the following form of order:

#### ORDER.

John T. Wilson having applied for an order authorizing him to sell to Pacific Light and Power Corporation for the sum of \$16,000.00 his electrical distributing system in and adjacent to the city of San Fernando, Los Angeles County, California, and his rights under Ordinance No. 74 of the city of San Fernando, granting to him a franchise for an electrical distributing system, and Pacific Light and Power Corporation having applied for authority to purchase said property for said sum and for a certificate that public convenience and necessity require the exercise by it of the rights and privileges granted by said Ordinance No. 74 of the city of San Fernando, and a public hearing having been held on said applications and it appearing that they should be granted,

*It is hereby ordered* that said applications be and the same are hereby granted, subject to the following conditions:

1. The price to be paid for said property shall not hereafter be taken before this Commission, or any other public authority, as representing for rate fixing or other purposes the true present value of the property.

2. Upon the execution of the deed of conveyance hereby authorized, the parties shall file a certified copy thereof with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.

---

DECISION No. 1328.

IN THE MATTER OF THE APPLICATION OF SAN FERNANDO MISSION LAND COMPANY TO SELL ITS ELECTRIC DISTRIBUTING SYSTEM AT SAN FERNANDO, CALIFORNIA, TO PACIFIC LIGHT AND POWER CORPORATION AND PACIFIC LIGHT AND POWER CORPORATION TO PURCHASE SAID PROPERTY.

---

Application No. 978.

*Decided March 9, 1914.*

---

Application of the San Fernando Mission Land Company and Pacific Light and Power Company, the one to sell and the other to buy a certain electrical plant in and adjacent to the town of San Fernando for the sum of \$7,835.15, granted.

*Gibson, Dunn & Crutcher and Thomas Haskins, for Applicant.*

REPORT OF THE COMMISSION.

THELEN, *Commissioner.*

This is an application on the part of San Fernando Mission Land Company to sell and of Pacific Light and Power Corporation to purchase an electric distributing system in and adjacent to the city of San Fernando for the sum of \$7,835.15. A copy of the agreement of sale is attached to the petition and marked Exhibit "A," and is hereby referred to. For opinions on other applications to sell electric distributing systems in San Fernando, see this Commission's opinions this day rendered in Applications No. 980 and No. 981, referring to the electric distributing system owned by the Maclay Rancho Water Company and operated by Consolidated Securities Company, and in Application No. 977, referring to the electric distributing system of John T. Wilson.

It appeared at the hearing that San Fernando Mission Land Company is primarily a land company; that it buys electric energy from Southern California Edison Company; that it uses this electric energy to pump water on its own land and that it serves no one other than itself, except that it sells to John T. Wilson the electric energy which he distributes as a public utility to the inhabitants of San Fernando.

Section 2 (*bb*) of the Public Utilities Act, as amended on June 14, 1913, reads in part as follows:

"Furthermore, when any person or corporation performs any service or delivers any commodity to any person or persons, private corporation or corporations, municipality or other political subdivision of the state, which in turn either directly or indirectly, mediately or immediately, perform such service or deliver such commodity to or for the public or some portion thereof, such person or persons, private corporation or corporations and each thereof is hereby declared to be a public utility and to be subject to the jurisdiction, control and regulation of the commission and to the provisions of this act."

Under this section, it seems clear that San Fernando Mission Land Company is a public utility and that hence this Commission's authorization to sell this property must first be secured, as provided by section 51 of the Public Utilities Act.

The general manager of the San Fernando Mission Land Company testified that the system originally cost \$9,941.00, and that it was built seven years ago.

Applicants filed a copy of resolution of the board of trustees of San Fernando asking that this application be granted. No person appeared in opposition thereto.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

San Fernando Mission Land Company having applied for an order authorizing the sale of its electric system in and adjacent to the city of San Fernando, Los Angeles County, California, to Pacific Light and Power Corporation for the sum of seven thousand eight hundred and thirty-five and 15/100 dollars (\$7,835.15), and the latter company having applied for an order authorizing it to purchase said system for said sum, and a public hearing having been held on said applications, and it appearing that they should be granted,

*It is hereby ordered* that said applications be and the same are hereby granted, subject to the following conditions:

1. The price to be paid for said property shall not hereafter be taken before this Commission or any other public authority as representing for rate fixing or other purposes the true present value of the property.
2. Upon the execution of the deed of conveyance hereby authorized, the parties shall file a certified copy thereof with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.



## DECISION No. 1329.

IN THE MATTER OF THE APPLICATION OF THE GLOBE GRAIN AND MILLING COMPANY AND OF THE COLTON GRAIN AND MILLING COMPANY TO SELL THE WAREHOUSE PORTION OF THEIR BUSINESS TO THE GLOBE WAREHOUSE COMPANY; AND OF THE GLOBE WAREHOUSE COMPANY TO PURCHASE THE WAREHOUSE BUSINESS OF THE AFORESAID CORPORATIONS; AND FOR AN ORDER AUTHORIZING THE ISSUE OF CAPITAL STOCK IN THE SUM OF TEN THOUSAND DOLLARS.

---

Application No. 932.

*Decided March 9, 1914.*

---

Application of the Globe Grain and Milling Company and the Colton Grain and Milling Company to transfer to the Globe Warehouse Company the warehouse business conducted by the former companies, and to lease to the Globe Warehouse Company sufficient space in their warehouses necessary for such business, granted.

Application of the Globe Warehouse Company to issue stock of the par value of \$10,000.00, to be used partly in payment for and the balance in conducting said warehouse business, granted.

*A. D. Buckley*, auditor of the corporations mentioned, for Applicants.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

The Globe Grain and Milling Company and the Colton Grain and Milling Company are corporations organized and existing under the laws of the State of California for the purpose of conducting the business of buying, selling and storing grain. The Globe Grain and Milling Company has seven warehouses located at different points in the Imperial Valley, and the Colton Grain and Milling Company has three warehouses similarly located.

It is the desire of these corporations to separate the warehouse business from the other business of said corporations, and, for that reason, the Globe Warehouse Company has been incorporated for the purpose of taking over the warehouse portion of the business of each of the aforesaid corporations.

The Globe Warehouse Company has a capital stock of \$10,000.00, all common. This stock will be issued at par to the Globe Grain and Milling Company and to the Colton Grain and Milling Company in

payment for the warehouse business of these corporations in about the proportion of seven tenths to the Globe Grain and Milling Company and three tenths to the Colton Grain and Milling Company.

The testimony of applicants disclosed the fact that there is not sufficient general warehouse business to be done at the warehouses mentioned to make a profitable business, and that it is the desire of the Globe Grain and Milling Company and the Colton Grain and Milling Company to lease to the Globe Warehouse Company certain space in their warehouses at a nominal rental, the remainder of the space in said warehouses to be reserved for and occupied by the Globe Grain and Milling Company and the Colton Grain and Milling Company, where these corporations will store their own grain.

The Globe Warehouse Company will do no storing for the Globe Grain and Milling Company and the Colton Grain and Milling Company, but only for the farmers and the public generally.

The aim of the Globe Grain and Milling Company and the Colton Grain and Milling Company, in separating the warehouse business from their other business, is to avoid the necessity of having part of their business public utility and part nonpublic utility, which makes it necessary to secure the consent of the Railroad Commission for each issue of stock or other financial transaction by said companies where required under the conditions of the Public Utilities Act.

Community of interest exists between these corporations by joint stock ownership, and, by stipulation, the application of the corporations to sell, and of the Globe Warehouse Company to purchase, and issue stock, were heard at one and the same time.

I recommend that the application be granted and that the Globe Grain and Milling Company and the Colton Grain and Milling Company be given permission to sell their public warehouse business to the Globe Warehouse Company, and that the Globe Warehouse Company be given permission to purchase such warehouse business from said corporations and to issue its capital stock, in the amount of \$10,000.00, for the purposes set forth herein, said stock to be sold, or taken by the Globe Grain and Milling Company and the Colton Grain and Milling Company, at par.

I submit the following form of order:

**ORDER.**

Whereas the Globe Grain and Milling Company and the Colton Grain and Milling Company, California corporations, engaged in the business of buying and selling grain, and, heretofore, in storing grain, have organized the Globe Warehouse Company, and now ask permission to

sell and transfer their warehouse business to said Globe Warehouse Company; and the Globe Warehouse Company now asks permission to purchase the warehouse business of the Globe Grain and Milling Company and the Colton Grain and Milling Company, and to issue its capital stock, in the sum of \$10,000.00, to pay for said warehouse business and to provide funds for conducting the same; and there appearing no just reason why such transaction should not be approved,

*It is hereby ordered* that the Globe Grain and Milling Company and the Colton Grain and Milling Company be and they are hereby authorized to sell to the Globe Warehouse Company their warehouse business conducted in their warehouses in Imperial Valley, California, and lease such portions of said warehouses to the Globe Warehouse Company as said corporation may require; and the Globe Warehouse Company be and it is hereby authorized to purchase said warehouse business from the Globe Grain and Milling Company and the Colton Grain and Milling Company, and to lease such space in said corporations' warehouses as it may require to conduct the warehouse business.

*It is further ordered* that the Globe Warehouse Company be and it is hereby granted permission to issue its capital stock, in the sum of \$10,000.00, at par, to be used in payment to the Globe Grain and Milling Company and the Colton Grain and Milling Company for the warehouse business of said corporations, and to provide funds for conducting the business of the Globe Warehouse Company.

*It is further ordered* that the sum of \$10,000.00 paid by the Globe Warehouse Company for the warehouse business of the Globe Grain and Milling Company and the Colton Grain and Milling Company, as above set forth, shall not be considered binding upon the Railroad Commission, or any other regulatory body, in the matter of fixing the rates and charges for this company.

*It is further ordered* that the rates and charges for storage heretofore charged by the Globe Grain and Milling Company and the Colton Grain and Milling Company shall be continued in effect by the Globe Warehouse Company until further order of this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of March, 1914.

## DECISION No. 1330.

## IN THE MATTER OF THE APPLICATION OF DEATH VALLEY RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF CERTAIN BONDS.

---

Application No. 836.*Decided March 10, 1914.*

---

Application of the Death Valley Railroad Company to issue bonds of the face value of \$230,351.00, proceeds to be used in the construction of a line of railway sixteen miles in length between a point on the Ryan branch of the Tonopah and Tidewater Railroad and certain borax mines, granted.

Applicant also directed to issue and sell at par \$75,000.00 of stock, proceeds to be used to cover balance of proposed construction cost not provided for from proceeds of bonds.

*Peck, Bunker & Cole, for Applicant.*

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner.*

An application was originally filed herein by Tonopah and Tidewater Railroad Company for an order authorizing the issue of bonds for the purpose of building a narrow gauge railroad in what is called Death Valley. That application was denied and the plan of financing the building of such railroad was thereafter changed, a new corporation was organized, and we are now asked to authorize the issuance of bonds by said new corporation for the purpose of building said railroad.

We are asked to authorize applicant to issue 473 bonds of 100 pounds sterling each of British money, or a total face value of 47,300 pounds sterling, which will be equivalent in money of the United States to bonds of approximately \$487.00 each, or a total face value of \$230,351.00, said bonds to bear interest at the rate of 5 per cent per annum.

And we are further asked to authorize the execution of a trust deed by applicant whereby all of its property will be made security for the payment of bonds in a total face value of 82,200 pounds sterling, British money, which is equivalent to \$400,314.00 in money of the United States. It is proposed to allow the bonds secured by the lien of said trust deed, and which are not now asked to be issued, to remain in the treasury of the company.

Applicant has provided in its trust deed for a sinking fund designed to provide for the retirement of bonds in definite amounts for each year, beginning March 1, 1915, and which will result in the retirement of the full amount of bonds named in said trust deed in a period of ten years from March 1, 1914. This sinking fund will retire the bonds now asked to be issued in about seven years from March 1, 1914.

In addition it is proposed to have Borax Consolidated Company, Ltd. (a corporation owning and operating the borax properties to be served by this railroad), guarantee the payment of the above principal and interest of these bonds, such guarantee to be placed in writing upon each bond issued.

Applicant was organized as a corporation in January, 1914, and none of its stock has been issued except qualifying shares to directors. The railroad proposed to be built is a narrow gauge railroad and begins at a point on the Ryan branch of the Tonopah and Tidewater Railroad,  $3\frac{1}{2}$  miles from Death Valley Junction, and runs thence in a general northwesterly direction through the mountains and across the open desert for a distance of approximately sixteen miles to the Biddy McCarty mine.

The main purpose of this railroad will be to serve the Biddy McCarty mine, which is a borax property belonging to the Borax Consolidated Company, Ltd., of England, but it is contemplated that the unusual characteristics of Death Valley will attract tourist travel which may become a considerable feature of the railroad's business.

The cost of this road is estimated in the application to be, with equipment, \$241,827.46, but representatives of applicant request that this estimate be increased by 10 per cent of said amount, or \$24,182.74, estimated contingencies, and by \$15,000.00 additional cost for transporting materials. This makes the total estimated cost \$281,010.20.

We are asked to authorize the issuance of bonds of a face value, the equivalent of which in United States money is \$230,351.00. These bonds to be sold to net not less than 90. If sold at this figure they will produce \$207,315.00, which would leave \$74,010.20 to be made up from some other source. This difference should be made up from the sale of stock at par, and while the application does not pray for the issuance of stock, I shall recommend that applicant be directed to issue and sell \$75,000.00 of stock at par before proceeding with the work of constructing this railroad.

I am satisfied from the evidence that this railroad is very much needed for the purpose indicated, to wit, primarily for the service to the borax mines of the Borax Consolidated Company, Ltd., and that it may develop into a line of considerable use to the public.

I recommend that the application be granted with the proviso that the bonds be sold at not less than 90, and that the amount of stock above named be sold at par, and that the aforementioned guarantee be duly executed, and submit herewith the following form of order:

#### ORDER.

Application having been made to the Railroad Commission of the State of California for an order authorizing the issue by Death Valley Railroad Company of 473 bonds of a total face value of 47,300 pounds

sterling, money of Great Britain, and for an order authorizing the execution by said company of a trust deed of all of its property to secure the payment of bonds of a total face value of 82,200 pounds sterling, money of Great Britain, all of said bonds to bear interest at the rate of 5 per cent per annum, and to be payable not later than the first day of March, 1924;

And a public hearing having been held, and it appearing to the Commission that said application should be granted under the conditions in this order set out, and that the proceeds from the sale of the stock and bonds herein authorized to be issued are necessary for the purpose of constructing the railroad of applicant, and that the said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered*, by the Railroad Commission of the State of California, that Death Valley Railroad Company is hereby authorized to issue 473 bonds, each of a face value of 100 pounds sterling, money of Great Britain, to bear interest at the rate of 5 per cent per annum, and to be payable over a period of ten years from March 1, 1914.

Death Valley Railroad Company is further authorized to execute a trust deed in substantially the form of the trust deed on file with the application herein, to Mechanics Trust Company of New Jersey, as trustee, conveying all of the property of said Death Valley Railroad Company as security for the payment of the principal and interest of bonds of an aggregate face value of 82,200 pounds sterling, money of Great Britain, with interest at the rate of 5 per cent per annum, said bonds to be payable in not to exceed ten years from March 1, 1914.

Death Valley Railroad Company is further authorized to issue and sell \$75,000.00 par value of its capital stock.

This order is made upon the following conditions:

1. The bonds herein authorized shall be sold so as to net Death Valley Railroad Company not less than 90 per cent of their face value.

2. The capital stock herein authorized to be issued shall be sold so as to net said company not less than par.

3. Before spending any money derived from the sale of the bonds herein authorized, applicant shall sell \$75,000.00 of its capital stock at par, which it is herein authorized to issue.

4. Before selling any of the bonds herein authorized, Borax Consolidated Company, Ltd., shall execute a guarantee of the payment of the principal and interest of said bonds, and said guarantee shall appear upon the face of each of the bonds issued.

5. The purposes for which the money to be derived from the sale of the stock and bonds herein authorized to be issued are to be used are as follows: (a) The acquisition of property for and the construction of a narrow gauge railroad, approximately 16.95 miles in length,

in the county of Inyo, State of California, connecting the Biddy McCarty borax mine with the Ryan branch of the Tonopah and Tidewater Railroad, all in accordance with the more detailed description and estimate of cost set out in the application and the exhibits attached thereto.

6. Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds and stocks hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission, in accordance with the Commission's General Order No. 24, stating the sale or disposition of said bonds and stock and the numbers of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

7. The authority hereby given to issue such bonds and stock shall apply only to bonds and stock issued by said company on or before the first day of March, 1915.

8. The payment of the fee prescribed in section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of March, 1914.

---

DECISION No. 1331.

IN THE MATTER OF THE APPLICATION OF THE CITY OF  
MODESTO FOR PERMISSION TO USE CERTAIN LAND AS  
A PUBLIC STREET.

---

Application No. 933.

*Decided March 11, 1914.*

---

REPORT OF THE COMMISSION.

ORDER DISMISSING APPLICATION.

The city of Modesto, applicant in the above entitled proceeding, having filed its written request that the above entitled application be dismissed,

*It is hereby ordered* that said application be and the same is hereby dismissed without prejudice.

Dated at San Francisco, California, this 11th day of March, 1914.

## DECISION No. 1332.

IN THE MATTER OF THE APPLICATION OF CENTRAL CALIFORNIA GAS COMPANY FOR AUTHORITY TO ISSUE BONDS OF THE FACE VALUE OF TWENTY-FIVE THOUSAND DOLLARS, COMMON STOCK OF THE PAR VALUE OF TWELVE THOUSAND FIVE HUNDRED DOLLARS, AND PREFERRED STOCK OF THE PAR VALUE OF ONE THOUSAND THREE HUNDRED DOLLARS.

---

Application No. 886.

*Decided March 11, 1914.*

---

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL ORDER.

THELEN, *Commissioner.*

Whereas, by its order of February 17, 1914, Decision No. 1288, in the above entitled proceeding, the Railroad Commission declared that when Central California Gas Company could show the necessary net income, as provided by its deed of trust, the Commission would authorize the issue of additional bonds of the face value of \$13,000.00; and

Whereas it now appears from a report of said company for the months ending February 28, 1914, that the company's net earnings for the twelve months ending February 28, 1914, before the deduction of sinking fund charges and without passing upon the adequacy of the depreciation, have been at least twice the interest on the bonds outstanding, as well as on the bonds which it is now desired to issue; and

Whereas it appears to the Railroad Commission that it would now be proper to authorize the issue of said additional bonds of the face value of \$13,000.00;

*It is hereby ordered* that Central California Gas Company may issue \$13,000.00, face value, of principal of bonds of said company, maturing the first day of July, 1932, bearing interest at 6 per cent per annum, payable semiannually, under and in pursuance of the terms of the trust deed or mortgage heretofore and on the first day of July, 1912, made and executed by said Central California Gas Company to Los Angeles Trust and Savings Bank, as trustee, said bonds to bear the numbers 263 to 275, inclusive, upon the conditions applicable to bonds specified in this Commission's order of February 17, 1914, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this 11th day of March, 1914.



## DECISION No. 1333.

LUCY BOSHIER LONG

vs.

HARRY B. ATWOOD.

Case No. 505.

*Decided March 11, 1914.*

Application of complainant for a rehearing in the above entitled matter, denied.

## REPORT OF THE COMMISSION.

## OPINION ON APPLICATION FOR REHEARING.

THELEN, *Commissioner*.

This is an application for rehearing.

Complainant asks this Commission to make an order directing the defendant, who operates a public water utility, to serve her with water for domestic use. In its Decision No. 1202, dated January 15, 1914, this Commission heretofore found that complainant's land is not within the territory which the defendant is under a legal obligation to serve, that the amount of water which the defendant is entitled to receive from the city of San Diego is limited and that in view of the amount of water at present used in the territory which the defendant has undertaken to serve and is obligated to serve, and of the growing demand for water in said territory, it would be unreasonable to compel the defendant to serve water to the complainant.

The complainant thereafter filed a supplemental application for rehearing, principally on the ground that she had failed to properly present the material facts of her case. The Commission accordingly gave the complainant an opportunity to present additional evidence and argument at a public hearing held in the city of San Diego on March 5, 1914. At this hearing the fullest opportunity was accorded to the complainant to produce any additional evidence which she might deem relevant to her case.

After a careful review of the evidence introduced at the original hearing and on the rehearing, I find no reason for altering any of the conclusions reached on the original hearing. The evidence on the rehearing as well as on the original hearing shows clearly that the complainant's land is not within the territory which the defendant is obligated to serve and that by reason of the limited amount of water which the defendant can secure from the city of San Diego, and of the growing demand of his own territory, this is not a proper case for the exercise of the authority conferred upon this Commission by sec-

tion 5 of chapter 80 of the Laws of 1913, approved April 25, 1913, empowering this Commission in certain cases to require water utilities to permit additional consumers to be served.

As the Commission suggested in its opinion dated January 15, 1914, the ultimate solution of plaintiff's difficulty in securing water seems to lie in the proposed annexation of Encanto to the city of San Diego, in which event the city of San Diego would be under the same obligation to serve water, at least for domestic purposes, to the people who inhabit this territory as it is to other inhabitants within the city limits. Petitions for such annexation have recently been circulated and it seems probable that the election will shortly be held.

I submit herewith the following form of order:

**ORDER.**

Evidence and argument having been presented on the question whether a rehearing should be held in the above entitled proceeding, and no good reason for such rehearing appearing,

*It is hereby ordered* that the application for rehearing be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of March, 1914.

---

DECISION No. 1334.

H. BROCKMEIER

vs.

THE PACIFIC BUILDING COMPANY.

---

Case No. 446.

*Decided March 11, 1914.*

---

Complaint alleges that defendant's distributing system is unsatisfactory and does not give good service, that its rates are discriminatory, and that its water is not filtered and is impure.

*Held*, satisfactory arrangements as regards the improvement of this system having been agreed upon by interested parties at the hearing, defendant directed to begin installation of such improvements within thirty days.

*Lester D. Welch*, for Complainant.

*Haines & Haines* and *A. Haines*, for Defendant.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

The complaint in this case was filed by the president of the board of trustees of the city of East San Diego. The complaint alleges, in effect, that the defendant is a public utility supplying water to the citizens of the city of East San Diego; that the water so furnished is not filtered, or otherwise treated, to render it suitable for domestic use; that the distributing system through which water is delivered to defendant's consumers is inadequate, and that by reason thereof many of the citizens of East San Diego are at times unable to secure water; that the prices charged for water by defendant are exorbitant and excessive; and that a portion of the citizens are charged for water at the rate of 25 cents per thousand gallons while the remaining citizens are charged at the rate of 20 cents per thousand gallons.

The complaint asks that the defendant be required to furnish to the citizens of East San Diego, water free from organic or other deleterious matter; that the defendant be required to increase the capacity of its distributing system so as to supply the citizens of East San Diego water in sufficient quantities for domestic use; and that the price charged for water be reduced to a reasonable, equitable and uniform charge.

The answer alleges, in effect, that the water which defendant is supplying to the citizens of East San Diego is derived in part from the Cuyamaca Water Company and in part from the city of San Diego, and that the territories served with water from these two public utilities are separate and distinct; that defendant does not filter the water which it receives; that its distributing system is inadequate, but that there is difficulty at times in delivering water through that portion of defendant's distributing system which receives its water from the city of San Diego, for the reason that the city of San Diego refuses to install sufficient meters to supply the amount of water which it has agreed to deliver to the defendant; that in order to enable defendant to give adequate service an additional delivery meter must be installed upon the main of the city of San Diego, and that the city has refused to install such meter; that unless defendant can obtain the water which the city of San Diego is obligated to serve to it, it is physically unable to supply more customers or to supply additional amounts of water to existing customers; that the rates at which defendant is supplying water to its two sets of customers are the rates which have been regularly established by the defendant or by this Commission; and that its distribution of water as to amount, condition and quality is governed entirely by the service of the two public utilities which deliver water to the defendant. The answer requests that the complaint be dismissed.

The hearing in this case was held in the city of San Diego on March 6, 1914. At the hearing, the parties agreed upon the form of order which will follow this opinion. Mr. F. M. Faude, assistant hydraulic engineer of this Commission, testified that, in his opinion, the performance of the construction work specified in the order will give to the people of East San Diego good and sufficient service, particularly if the Pacific Building Company receives permission from the city of San Diego to install an additional meter on the main. The parties in this proceeding are to be congratulated on having arrived at a satisfactory amicable adjustment.

I submit herewith the following form of order:

**ORDER.**

The above entitled matter being at issue on complaint and answer, and a public hearing having been held therein, and the matter being ready for decision,

*It is hereby ordered*, in accordance with the agreement entered into between the parties in open court, as follows:

1. The Pacific Building Company shall lay an 8-inch pipe from the meter box at the intersection of Steiner street, also known as University avenue, and the alley between Van Dyke and Copeland avenues, through Block No. 49, a distance of 600 feet south to the intersection of said alley with Klauber street, thence west on Klauber street to the intersection of the alley between Sisson and Daley avenues.

2. The Pacific Building Company shall lay a 6-inch pipe from the last named intersection connecting with said 8-inch pipe westward on Klauber street to the intersection of the alley between Pacific and Swift avenues.

3. The Pacific Building Company shall lay a 6-inch pipe from said point and connecting the 4-inch pipe westwardly on Klauber avenue to the alley between Mission avenue and Boundary street.

4. In case the Pacific Building Company obtains from the city of San Diego consent to the retention of the meter at the intersection of the alley between Pacific and Swift avenues with University avenue, and obtains the installation of an additional meter from the city of San Diego at the point of beginning of said 8-inch pipe line, it shall lay a 4-inch pipe in the alley running north and south through block No. 191, from University avenue to Klauber street.

5. The Pacific Building Company shall also lay a 6-inch pipe connecting with the 8-inch pipe at the intersection of the alley between Van Dyke and Copeland avenues, thence easterly along Klauber street between Fairmount avenue and Colonial avenue; thence a 4-inch connecting pipe northerly in the alley, through Block No. 4 to University avenue, there to connect with the 4-inch pipe now there existing.

6. The specifications for the pipe hereinbefore referred to shall be as follows: all 8-inch and 6-inch pipe shall be double dipped, riveted steel and wrapped with tar roofing paper; the 8-inch pipe to be No. 14 gauge and the 6-inch pipe to be No. 16 gauge; the Pacific Building Company to have the right to utilize any available 4-inch pipe taken up from its existing system.

7. When University avenue shall have been paved, the service of 4-inch pipe on the paved portion thereof shall be discontinued.

8. Work on the construction of the new pipe system herein referred to shall be commenced within thirty days from the date of the order herein and shall be completed within ninety days from said date, except in so far as a portion of said construction is made contingent upon securing from the city of San Diego an additional meter for the delivery of water.

9. As to all other matters involved in this proceeding, the complaint is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of March, 1914.

---

DECISION No. 1335.

IN THE MATTER OF THE APPLICATION OF KLAMATH LAKE  
RAILROAD COMPANY FOR PERMISSION TO ABANDON  
THE OPERATION OF ITS ROAD.

---

Application No. 822.

*Decided March 11, 1914.*

---

Application of the Klamath Lake Railroad Company to abandon its line of railway between Thrall, California, and Pokegama, Oregon, granted.

*Frank A. Deering*, for Applicant.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Klamath Lake Railroad Company for a determination and a finding by the Commission that the railroad of applicant, together with its branch and trunk lines, does not yield income sufficient to operate the same.

The Klamath Lake Railroad Company was incorporated under the laws of the State of California December 12, 1901, and said company constructed a railroad from Thrall, Siskiyou County, California, to Pokegama, Oregon, a distance of about twenty-four miles.

The building of a railroad by the California Northeastern Railway Company from Weed, California, on the main line of the Southern Pacific, to Klamath Falls, Oregon, seriously interfered with the traffic otherwise obtainable by applicant, and practically the only business which applicant obtained came from a sawmill at Pokegama, Oregon, and a hydroelectric plant under construction by the Siskiyou Electric Power and Light Company. This sawmill discontinued its business and removed its plant in October, 1911, and under the terms of an agreement, the Siskiyou Electric Power and Light Company has discontinued furnishing traffic for this road.

The testimony at the hearing showed that the public produced no business therefor and has little interest in the discontinuance of its operation.

An examination of the accounts of applicant shows that the gross receipts from all sources, for the year ending 1911, was \$32,437.55, with a net loss in the operation for the same year of \$7,098.97. For the next fiscal year ending June 30, 1912, the total gross receipts were \$22,381.12, with a total net loss in operation of \$8,519.09. For the fiscal year ending June 30, 1913, the gross earnings fell to \$5,078.01.

During this last mentioned fiscal year, the railroad was operated by the Siskiyou Electric Power and Light Company under the contract aforesaid, which has since been cancelled, and this company paid applicant \$500.00 per month and assumed the burden of all the expenses of operating the railroad, and this light and power company was entitled to all of the earnings of the railroad company.

It is apparent from the above that this railroad does not earn operating expenses, and I therefore recommend that a finding be made in accordance with the facts above set out, and submit herewith the following form of order:

**ORDER.**

Application having been made by Klamath Lake Railroad Company for a determination that the earnings of the railroad operated by said company are not sufficient to pay operating expenses, and that the operation of said railroad does not yield income sufficient to operate the same,

And a public hearing having been held, and it appearing to the Commission that the gross receipts from the operation of applicant's railroad are not sufficient to pay operating expenses,

*It is hereby ordered by the Railroad Commission of the State of California that after an examination of the accounts of earning and operating expenses of the railroad operated by Klamath Lake Railroad Company from Thrall, Siskiyou County, California, to Pokegama, Oregon, the Commission hereby finds that the operation of said railroad does not yield income sufficient to operate the same.*

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of March, 1914.

---

DECISION No. 1336.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF THE KLAMATH LAKE RAILROAD COM-  
PANY WITHIN THE STATE OF CALIFORNIA.

---

Case No. 173. (On the Commission's own initiative.)

*Decided March 11, 1914.*

---

*Frank P. Deering*, for Klamath Lake Railroad Company.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is a proceeding upon the Commission's own initiative, under sections 47 and 70 of the Public Utilities Act, to ascertain the value of the property of the Klamath Lake Railroad Company within the State of California.

The engineers of this Commission made their usual report in this proceeding, but subsequent thereto, and at the time of the hearing of this case, it was announced by the railroad company that they proposed to discontinue the operation of this railroad and remove the tracks and other structures appurtenant thereto, and application was made by said company for a finding by this Commission that the operation of said railroad did not yield income sufficient to operate the same.

The Commission has this day made such a finding, and in view of the fact that the engineers of this Commission made their report on the property used in the operation of this road, and as its operation is to be discontinued, a finding on value would be useless and perhaps erroneous.

Therefore, I recommend that this case be dismissed, and submit herewith the following form of order:

**ORDER.**

For the reasons given in the foregoing opinion, it is hereby ordered by the Railroad Commission of the State of California, that this case be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of March, 1914.

Decisions Nos. 1337, 1338, 1339, 1340, grade crossings; not printed. See end of volume.

**DECISION NO. 1341.**

**MARK W. BAKER ET AL.**

*vs.*

**SOUTHERN PACIFIC COMPANY.**

**Case No. 518.**

*Decided March 13, 1914.*

**REPORT OF THE COMMISSION.**

**ORDER OF DISMISSAL.**

Complainants in the above entitled matter having, on the 9th day of March, 1914, made written request to this Commission that the above entitled case be dismissed,

*It is hereby ordered* that the above entitled case be and the same is hereby dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 13th day of March, 1914.



## DECISION No. 1342.

## IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AUTHORITY TO ISSUE TWO HUNDRED NINETEEN THOUSAND DOLLARS OF BONDS.

---

Application No. 995.

---

*Decided March 13, 1914.*

---

Application of the Western States Gas and Electric Company for permission to issue bonds of the face value of \$219,000.00, proceeds to be used in taking up certain of its notes now outstanding, granted.

*Chickering & Gregory, for Applicant.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This is an application by Western States Gas and Electric Company for authority to issue \$219,000.00 of its 5 per cent thirty-year first and refunding mortgage bonds. The applicant desires to use the proceeds to be derived from the sale of these bonds to liquidate a portion of its floating indebtedness as far as the money may apply. The company has outstanding notes payable in the sum of \$596,854.55, and the money received from the sale of the bonds will be applied upon a portion of this indebtedness. The indebtedness represented by these notes was incurred for capital expenditures as enumerated and filed with this Commission in connection with this application.

Western States Gas and Electric Company was organized in 1910. It sells gas and electricity in and about the city of Stockton, San Joaquin County, and the city of Eureka, Humboldt County, and sells electric power in other portions of San Joaquin, Humboldt, Sacramento, Calaveras, Amador, El Dorado and Contra Costa counties. The financial affairs of this applicant have been reviewed in detail in prior decisions of this Commission. Reference is hereby made to Application No. 66, Application No. 304, Application No. 616 and Application No. 347.

Under its trust deed the applicant herein may issue bonds only up to 75 per cent of the cost of additions and betterments. The remaining 25 per cent of the cost of these additions and betterments is represented in part by the notes payable heretofore referred to.

I find that applicant has complied with that provision of its mortgage which requires that its net earnings shall have been twice the interest on its bonds together with the bonds under consideration before new bonds may be issued.

Applicant has heretofore been directed to file an appraisal of its properties, and this is now on file with the Commission.

I find that the purposes for which the applicant desires to issue the bonds herein applied for are proper purposes under the Public Utilities Act. I therefore recommend that the application be granted.

I submit the following form of order:

**ORDER.**

Western States Gas and Electric Company having applied to this Commission for authority to issue \$219,000.00 of its first and refunding 5 per cent thirty-year bonds, and a hearing having been held, and it appearing that the purposes to which applicant proposes to devote the proceeds to be derived from the sale of said bonds are not in whole or in part chargeable to operating expenses or to income,

*It is hereby ordered* that Western States Gas and Electric Company be given authority and it is hereby given authority to issue \$219,000.00 of its 5 per cent thirty-year bonds, said bonds bearing date of June 1, 1911, and maturing June 1, 1941, and being secured by applicant's trust deed to Girard Trust Company of Philadelphia. The authority herein given is given upon the following conditions and not otherwise:

1. Said bonds to be sold so as to net applicant not less than 82½ per cent of the par value thereof plus accrued interest.

2. The proceeds derived from the sale of said bonds shall be used in liquidation of any of the following notes, and shall be used so far as the money may apply:

Date	In favor of—	Due	Rate	Amount
May 23, 1913	Seaboard National Bank.....	On demand..	6%	\$11,000 00
June 2, 1913	Western States Gas and Electric Co. of Delaware.....	May 2, 1914	7%	232,100 00
June 2, 1913	Western States Gas and Electric Co. of Delaware.....	May 2, 1914	7%	108,000 00
Aug. 5, 1913	Standard Gas and Electric Co..	On demand..	7%	50,000 00
Dec. 11, 1913	H. M. Byllesby & Co.....	Apr. 11, 1914	6%	15,000 00
Dec. 11, 1913	H. M. Byllesby & Co.....	June 11, 1914	6%	15,000 00
Dec. 10, 1913	Standard Gas and Electric Co..	Nov. 10, 1914	7%	100,000 00
Dec. 11, 1913	H. M. Byllesby & Co.....	June 11, 1914	6%	5,000 00
Dec. 11, 1913	H. M. Byllesby & Co.....	June 11, 1914	6%	10,000 00
Dec. 11, 1913	H. M. Byllesby & Co.....	June 11, 1914	6%	10,000 00
Dec. 11, 1913	H. M. Byllesby & Co.....	Apr. 11, 1914	6%	25,000 00
Dec. 30, 1913	General Electric Co.....	Apr. 30, 1914	6%	10,000 00
Dec. 30, 1913	Helme & McIlhenny.....	June 20, 1914	5%	4,854 55
				\$596,854 55

3. Western States Gas and Electric Company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission, stating the sale

or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein given shall apply only to such bonds as shall have been issued on or before October 1, 1914.

5. The authority herein granted to issue bonds shall not become effective until the payment by applicant of the fee prescribed in section 57 of the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 13th day of March, 1914.

---

DECISION No. 1343.

PINNEY & BOYLE MANUFACTURING COMPANY

*vs.*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY  
COMPANY.

---

Case No. 504.

*Decided March 13, 1914.*

---

Complaint alleges that defendant charged and collected an excessive rate of \$46.07 on a certain carload of heaters moving between Los Angeles and Oakland, by giving said shipment a higher classification than that to which it was rightfully entitled.

*Held.* That the classification was correct and that as the rates themselves were not brought into question, complaint dismissed.

*F. P. Gregson*, for Complainant.

*E. W. Camp*, for Defendant.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

The complainant is a corporation engaged in the manufacturing business at Los Angeles. Its petition filed November 13, 1913, attacks as unlawful the charges assessed for the transportation of a carload of sheet iron air-tight heaters from Los Angeles to Oakland, in that charges were not assessed in accordance with the classification and rates applicable. Reparation is asked for in the sum of \$46.07.

On September 20, 1913, complainant shipped from Los Angeles via the rails of the Atchison, Topeka and Santa Fe Railway to the Merchants' Express and Draying Company at Oakland, one carload of 1,535 air-tight heaters. Freight charges, exclusive of terminal switching, amounting to \$111.80 were assessed, based on the third class rate of 42½ cents per 100 pounds, for 256 heaters, with cast iron tops and bottoms, weighing 6,862 pounds, and the second class rate of 48½ cents per 100 pounds for 1,279 sheet iron heaters at minimum carload weight of 17,040 pounds. Complainant contends that the charges should have been assessed at the fifth class rate of 27½ cents per 100 pounds, minimum 20,000 pounds, as per Item 21 shown on page 277 of Western Classification No. 51.

At the time this shipment moved Western Classification No. 51, C. R. C. No. 75, was in effect and provided the following ratings:

Page No. 277.

	Items	Less carload	Carload
20	Stoves, stove furniture, furnaces, and parts of.....		5
21	Air-tight heaters, sheet iron.....		Minimum wt. 20,000 lbs.
22	With cast iron tops and trimmings, or with cast iron lining, in packages or loose.....	3	
23	With sheet iron tops, taken apart, bodies nested, all parts in crates.....	3	
	Knockdown flat, in boxes.....	3	

Miscellaneous items included in the carload brackets are carried to the bottom of page 277 and extended to and including Item 31 on page 278.

A note follows Item 31 on page 278, and provides that certain other articles may be loaded with stoves. The note reads:

NOTE.—Air-tight heaters, sheet iron, not otherwise indexed by name, in crates, coal hods, sheet iron exclusive of Russian, planished, or corrugated, sheet iron cut in shape for stove pipes, nested solid, sheet zinc, stovepipe, stovepipe elbows and stovepipe thimbles may be loaded in mixed carload, subject to Rule 21-B, with stoves, stove furniture, furnaces and parts of, shown in items 20 to 36, page 277, and items 1 to 30, page 278, at fifth class, minimum weight, 20,000 pounds.

Rule 21-B, found on page 12 of the classification, reads:

B. Carload ratings shown in the classification for articles "Subject to Rule 21-B" will not apply on straight carloads of the articles named. In such cases the amount of the articles so designated which may be included, shall not exceed 33½ per cent of the minimum weight provided for the mixed carload.

Item 32, page 278, reads:

32. Air-tight heaters, sheet iron, not otherwise indexed by name:  
In boxes or crates, less-carload, 1.  
In boxes or crates, carload, minimum weight 12,000 pounds,  
subject to rule 6-B, 3.

Complainant sought to demonstrate that the note following Item 31 on page 278 of the classification was not a part of and had no bearing on the bracketed articles shown under the caption "Stoves, Stove Furniture, Furnaces and Parts," beginning with Item 20 on page 277 and ending with Item 31 on page 278. I can not agree with this interpretation of the classification, for, while the footnote carries no asterisk or symbol, it is clearly a part of and controls the articles which may be loaded in the mixed carload shipment. Qualifying footnotes are carried throughout the classification, and, as a general rule, follow the articles to which they refer, without being included in a bracket or designated by symbol. If complainant's position were correct, the value of the classification would be destroyed.

Complainant seems to have overlooked the fact that the note on page 278 of classification on which he relies specifically refers to certain items and reads in part as follows:

" . . . Stoves, stove furniture, furnaces and parts of, shown in items 20 to 36, page 277, and items 1 to 30, page 278, at fifth class, minimum weight, 20,000 pounds."

The item of 1,279 sheet iron heaters in this shipment is not covered by any of the items above mentioned, but is covered by Item 32, page 278.

I fail to see how the heaters covered by Item 32, page 278, can be grouped with heaters mentioned in Items 20 to 36, page 277, and Items 1 to 30, page 278.

Considerable testimony was offered by complainant to the effect that they had been quoted the fifth class rate with a minimum of 20,000 pounds on air-tight heaters. This testimony has but little value for the reason that the principle is firmly established that lawful tariff rates must be collected regardless of any quotations at variance with the tariffs, either oral or written, furnished by agents or carriers. *Poor vs. C. B. & Q. Ry. Co.*, 12 I. C. 418, also *T. & P. Ry. Co. vs. Mugg*, 202 U. S. 242.

Defendant entered as an exhibit a letter signed J. W. Sheehan, superintendent, Transcontinental Freight Bureau, San Francisco, stating that the shipment had been inspected at Oakland and found to consist of 256 sheet iron air-tight heaters, with cast iron tops, bottoms and linings, weighing 6,862 pounds; 1,279 sheet iron heaters, N.O.I.B.N., not crated, actual weight 12,683 pounds. This description of the heaters was not materially contradicted by witnesses for complainant.

It is not alleged that the rates were unreasonable *per se*, and no evidence was given either by the complainant or defendant along those lines, and I, therefore, can not pass upon either reasonableness of classification or rates. This case involves only the interpretation of the classification as applied to the articles actually transported, and, taking into consideration the entire record, I am of the opinion that the charges as assessed are in strict conformity with the classification, its rules and the tariff rates governing.

Under all the circumstances of this case, I believe complaint should be dismissed.

I submit the following order:

**ORDER.**

Pinney & Boyle Manufacturing Company having filed its complaint against the Atchison, Topeka and Santa Fe Railway Company and a hearing having been held, and being fully apprised in the premises,

*It is hereby ordered* that said complaint be and the same is hereby dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 13th day of March, 1914.

---

DECISION No. 1344.

RIVERS BROTHERS COMPANY, INC.,

vs.

SOUTHERN PACIFIC COMPANY.

---

Case No. 406.

*Decided March 13, 1914.*

---

Complaint alleges that defendant has maintained and collected an unjust and discriminatory rate on apples in carload lots from Beaumont and Crafton to Los Angeles.

*Held.* That the rate charged complainant covering certain shipments of apples in carload lots was unjust and discriminatory, and defendant is directed to refund to complainant all sums collected in excess of \$1.75 per ton moving subsequent to October 10, 1911, between the points in question.

*Held.* Defendant directed to remove from its tariffs the restrictive clause "for canneries and driers only," applicable to apples in carload lots between points named.

*Charles Clifford*, for Complainant.

*Geo. D. Squires*, for Defendant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

Complainant in this case is a corporation engaged in the wholesale fruit and produce business in the city of Los Angeles, and in the conduct of such business ships carloads of fruit from producing points to that place.

In this complaint it is alleged that rates exacted by the defendant railway for the transportation of certain carloads of apples from Crafton and Beaumont to Los Angeles were in excess of rates lawfully applicable to such shipments in tariffs on file with this Commission. Complainant asks for reparation on seventy carloads of apples shipped from Crafton to Los Angeles and eleven carloads of apples shipped from Beaumont to Los Angeles, and moved during the period October 10, 1911, to November 12, 1912, both dates inclusive.

The defendant carrier publishes a specific rate on apples from Crafton to Los Angeles of \$2.75 per ton which it applied on the shipments in question from Crafton. It also has in effect a Class "C" rate of \$2.60 per ton from Beaumont to Los Angeles, but, at the same time, carries a commodity rate of \$1.75 per ton from Beaumont to Pasadena, which, under the intermediate application of the tariff, would hold as maximum to Shorb, the junction point for the Pasadena branch. Between Shorb and Los Angeles there is a switching charge in effect of \$5.00 per car, thus making a possible combination from Beaumont to Los Angeles of \$1.75 per ton, plus \$5.00 per car, which rate has been charged on the shipments from Beaumont to Los Angeles, with the exception of one car charged for on the basis of \$1.75 per ton, Beaumont to Shorb, plus 80 cents, the regular local rate Shorb to Los Angeles.

The Southern Pacific Company publishes and maintains a rate from both Crafton and Beaumont of \$1.75 per ton on fresh fruit, restricted to read as follows: "Fresh Fruit for Canneries and Driers Only." This same rate formerly applied on oranges and lemons for manufacturing purposes only, but the restriction "for manufacturing purposes only" was subsequently eliminated by amendment to the tariff on November 8, 1907.

The restriction attached to the above tariff on fresh fruit in the words "for canneries and driers only" results in a discrimination between the shipper who sends his fruit to canneries and driers and the shipper who sends his fruit to market for other purposes. No distinction is made as to grade of fruit, method of pack or in any other respect. The only distinction is as between the use of the product shipped.

Effective June 4, 1910, the defendant published a rate on fresh fruit from Banning to Pasadena of \$1.75 per ton which applied as maximum

from Beaumont to Pasadena. This rate was not in any wise restricted, and, notwithstanding the fact that defendant now states that this rate was intended for cannery purposes only, it has been used since November 21, 1910, on which date it became necessary for the carrier to protect the lowest combination of local rates, in conformity with amended Rule 7-A of this Commission's Tariff Circular No. 1.

No evidence was introduced of any attempt having been made to restrict this rate so that it would apply to canneries only, and it must, therefore, be assumed that the carrier voluntarily accorded the Los Angeles receivers of fruit the benefit of this rate from Beaumont to Shorb, plus a switching charge of \$5.00 per car, with the full knowledge that one of the factors in making up this through rate was a rate which it now says was intended to be restricted for cannery purposes only.

The defendant did not attempt to explain the reason for the existence of a rate of \$1.75 per ton on fresh fruit to Los Angeles from points north thereof for distances approximately the same as from Beaumont and Crafton upon which rate no restrictions were placed as to the use of the commodity.

I am of the opinion that the complainant is entitled to a rate of \$1.75 per ton on fresh fruit in carloads from Crafton and Beaumont to Los Angeles, and that this rate was the legal rate applicable to shipments of fresh fruit in carloads from Crafton and Beaumont to Los Angeles since October 10, 1911.

It follows from the above that complainant is entitled to reparation for any payment of higher rates on such shipments during such time than the rate just above mentioned.

I recommend that findings of fact be adopted in accordance with the foregoing, and that the reparation suggested be made, the exact amount of such reparation to be agreed upon by the parties hereto, and if not so agreed within thirty days from the date of this order, the amount of such reparation to be fixed by this Commission by supplemental order, and that the reparation finally determined upon bear interest at the rate of 7 per cent per annum from the time of the payment of the excessive rate to the time of the payment of the reparation, and that defendant be ordered within a period of thirty days from the date of this order to remove from its tariff C. R. C. No. 99, page 18, after the words "fresh fruit" the restriction reading "for canneries and driers only."

I submit herewith the following form of order:

**ORDER.**

Rivers Brothers Company, Inc., having complained that the Southern Pacific Company charged and collected rates in excess of \$1.75 per ton



on apples, carloads, from Beaumont and Crafton to Los Angeles, and a hearing having been held, and the Commission being fully apprised in the premises, it is hereby found as a fact that the legal rate for the transportation of fresh fruit in carloads from Crafton and Beaumont to Los Angeles was from October 10, 1911, and now is, \$1.75 per ton, and that the restriction found in the words "for canneries and driers only" in Tariff C. R. C. No. 99, page 18, is and was during the period mentioned, discriminatory.

It is hereby further found as a fact that complainant herein is entitled to reparation and reimbursement for all sums paid defendant from October 10, 1911, for the transportation of fresh fruit in carloads from Crafton and Beaumont to Los Angeles over and above the rate of \$1.75 per ton herein found to be the legal rate for such shipments, and that complainant is entitled to interest on such excess payments of 7 per cent per annum until reparation therefor be made.

Basing its order on the foregoing findings of fact,

*It is hereby ordered* by the Railroad Commission of the State of California that defendant Southern Pacific Company refund to complainant Rivers Brothers Company, Inc., all sums paid by said complainant to said defendant for the transportation of fresh fruit in carloads from Crafton and Beaumont to Los Angeles since October 10, 1911, over and above the rate of \$1.75 per ton, and that said defendant pay to said complainant in addition thereto, 7 per cent interest on such excess payments up to the time of refunding the same.

*It is hereby further ordered* that the parties hereto determine by agreement within a period of thirty days from the date of this order the exact amount paid defendant by complainant over and above the rate herein found to be the legal rate during the period from October 10, 1911, and if complainant and defendant are not able to agree on such amount within such time, this Commission will fix such amount by supplemental order herein.

*It is hereby further ordered* that defendant Southern Pacific Company within thirty days from the date of this order remove from its tariff C. R. C. No. 99, page 18, the words "for canneries and driers only."

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 13th day of March, 1914.

## DECISION No. 1345.

L. SCATENA &amp; COMPANY ET AL.

vs.

ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY.

Case No. 436.

*Decided March 14, 1914.*

Complainants allege that defendant has charged and collected discriminatory rates on certain shipments of oranges moving from points in southern California to Oakland and San Francisco, and ask reparation covering such excess rates.

*Held.* Defendant directed to refund to complainants all sums collected in excess of a certain combination of locals between Los Angeles and San Francisco.

*Chas. Clifford*, for Complainants.

*E. W. Camp*, for Defendant.

## REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

The complainants are corporations and copartnerships engaged in the fruit and produce business, with offices in San Francisco and Oakland. Their petition filed July 21, 1913, alleges that they were charged by defendant discriminatory rates for the transportation of oranges, in carloads, from points in southern California to San Francisco and Oakland. Reparation is asked for.

During the years 1910, 1911 and 1912, the several complainants shipped over defendant's lines to San Francisco and Oakland about 357 carloads of oranges for which transportation charges were collected at rate of 32 cents per 100 pounds from Pomona, San Dimas, North Pomona and Lordsburg, 33 cents per 100 pounds from Upland and Claremont, 33½ cents per 100 pounds from North Cucamonga and Cucamonga, 34½ cents per 100 pounds from Etiwanda and Corona, and 35 cents per 100 pounds from Colton, Redlands, East Highland, Yerkes, Riverside, Rialto, Highland, Casa Blanca, Prenda, Pachappa, Morton, Menton and Drew. These are through commodity rates published in Santa Fe System Tariffs 7060-B, C. R. C. 80, and 7060-B, C. R. C. 196.

In the same tariffs defendant published commodity rates applying on fresh fruit when for canneries, driers, pickling or manufacturing purposes, from the several points of origin to Los Angeles, these rates varying from 6½ cents to 8¾ cents per 100 pounds. There also appears in the tariffs a rate of 25 cents per 100 pounds on oranges from Los Angeles to San Francisco and Oakland, and this rate, added to the

restricted rates on fresh fruit into Los Angeles, makes through rates of 31½ cents per 100 pounds from the first group of points, 32 cents from the second, 32½ cents from the third, and 33¼ cents from the fourth and fifth.

It is alleged in the complaint that the rates in tariffs applying on shipments of fresh fruit for manufacturing purposes only are applicable, regardless of the consignee, or for what purpose used, and are the legal basing rates to be used in determining through rates.

Witnesses for the defendant testified to the effect that tariffs containing the restricted rates on fruit when for canneries, driers, pickling or manufacturing purposes, were published when such rates were not considered unlawful; that records failed to show any shipments of oranges, in carloads, moved into Los Angeles via its lines, at the rates applying on fresh fruit; also that the oranges shipped to San Francisco and Oakland were packed ready for market consumption and were transported in refrigerator cars, while the fruit going to canneries at Los Angeles is packed in open lug boxes transported in ordinary box or stock cars, and therefore receives a different service.

In *Rivers Brothers Company vs. Southern Pacific Company*, Case No. 406, the Commission held:

“The restriction attached to the above tariff on fresh fruit in the words ‘for canneries and driers only’ results in a discrimination between the shipper who sends his fruit to canneries and driers and the shipper who sends his fruit to market for other purposes. No distinction is made as to grade of fruit, method of pack or in any other respect. The only distinction is as between the use of the product shipped.”

This holding applies with equal force to the situation we have under consideration in this case.

Item No. 362, effective November 21, 1910, in Supplement No. 21 to Santa Fe Tariff No. 7060-B, C. R. C. 80, reads:

“In every instance where class or commodity rates are named between specified points, the lower of such rates is the lawful rate, provided, that if some combination of class or commodity rates, or class and commodity rates, is found to be lower than the through rate, the lower combination of rates shall apply.”

Since defendant had no lawful right to restrict the rates applying on fresh fruit into Los Angeles, such rates should have been used in combination with the rates applying from Los Angeles, when combination made rates lower than the through published rates.

The rates complainants contend should have been applied to the shipments of oranges included in this complaint were in effect from com-

mon points via the Southern Pacific Company's line at the time these shipments moved, and were published by the Santa Fe in their System Tariff No. 7060-C, C. R. C. 196, Supplement No. 2, effective April 10, 1912, since which date the through rates have not been in excess of any local rates and no further causes for complaint have arisen.

Complainants have asked for reparation against shipments moved prior to October 10, 1911, the date upon which section 21 of article XII of the constitution of the State was amended. The question of reparation claims was fully discussed in Decision No. 579, Case No. 283, *Scott, Magner & Miller vs. Western Pacific Railway Company*, and it was there held that the right to grant reparation exists only as to claims arising since October 10, 1911.

Upon considering all the facts in this case, I am of the opinion that complainants have been damaged to the extent of the difference between the through commodity rates on oranges as collected and the combination of local commodity rates to and from Los Angeles, before mentioned, on all of the shipments moved subsequent to October 10, 1911.

It was stipulated at the hearing that in case of an award of reparation the parties would agree upon the amount due.

I recommend the following order:

**ORDER.**

L. Scatena & Company, Incorporated, et al., having filed their complaint against the Atchison, Topeka and Santa Fe Railway Company, praying for reparation on certain shipments of oranges, and a hearing having been held, and being fully apprised in the premises,

*It is hereby ordered* that the Atchison, Topeka and Santa Fe Railway Company make reparation, with interest at the rate of 7 per cent per annum, on shipments referred to in this complaint moved subsequent to October 10, 1911, to the several complainants, of the difference between the amounts collected and the amounts which should have been collected, based upon the combination of rates to and from Los Angeles hereinbefore referred to. Should parties fail to agree as to amount of reparation due, proper order will be issued upon presentation of freight bills.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of March, 1914.

## DECISION No. 1346.

IN THE MATTER OF THE APPLICATION OF THE SANTA BARBARA AND SUBURBAN RAILWAY COMPANY FOR CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF FRANCHISE HERETOFORE GRANTED TO IT BY THE CITY OF SANTA BARBARA, AUTHORIZING THE EXTENSION OF SAID RAILWAY IN WHAT IS KNOWN AS THE OLD MISSION IN THE CITY OF SANTA BARBARA TO THE STATE NORMAL SCHOOL IN SAID CITY.

---

Application No. 971.

*Decided March 14, 1914.*

---

Application of the Santa Barbara and Suburban Railway Company for a certificate of public convenience and necessity to exercise certain rights granted under a franchise from the city of Santa Barbara, permitting it to extend its line of railway, granted.

*H. H. Trowbridge and William G. Griffith, for Applicant.*

## REPORT OF THE COMMISSION.

ESHLEMAN, *Commissioner.*

Applicant asks of this Commission a certificate that public convenience and necessity require its permission to extend its street railway within the city of Santa Barbara, and asks permission to exercise a certain franchise heretofore granted to it by the city of Santa Barbara.

The applicant is the only street railway corporation operating in this territory and it is very much desired by the citizens of Santa Barbara that it operate its line to the new state normal school located in Santa Barbara, and I find that public convenience and necessity require the applicant to construct and operate its line in accordance with the provisions of the franchise granted by the city council of Santa Barbara; and I furthermore find as a fact that said franchise is one in the form that this Commission should approve. It provides for the usual two per cent, and has no conditions that I find objectionable.

I recommend that the application be granted and submit the following order:

## ORDER.

Santa Barbara and Suburban Railway Company having applied to the Commission for a certificate that the present and future public convenience and necessity require it to operate a street railway under a certain franchise granted by the city council of the city of Santa

Barbara, and for approval of a franchise issued to it by the said city council of the city of Santa Barbara, and for permission to exercise rights under said franchise, and a hearing having been held, and being fully apprised in the premises,

*It is hereby ordered* that public convenience and necessity require the extension of the facilities of the said Santa Barbara and Suburban Railway Company in accordance with the franchise hereinbefore referred to, and the operation of the line constructed under said franchise; and

*It is further ordered* that permission is granted the said applicant to exercise rights and privileges under and in accordance with the franchise referred to, which is the franchise granted by Ordinance No. 771 of the city of Santa Barbara, attached to the application herein and referred to for particulars.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of March, 1914.

---

DECISION No. 1347.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE IT TO MAKE CERTAIN CONSTRUCTION IN THE COUNTY OF LOS ANGELES, AND TO EXERCISE RIGHTS AND PRIVILEGES GRANTED TO IT BY ORDINANCE NO. 329 (NEW SERIES) OF THE COUNTY OF LOS ANGELES.

---

Application No. 944.

*Decided March 17, 1914.*

---

Application of the Los Angeles Gas and Electric Company for a certificate of public convenience and necessity permitting it to construct and operate a gas distributing system in a certain portion of Los Angeles County, granted.

*Paul Overton, for Applicant.*

## REPORT OF THE COMMISSION.

ESHELMAN, *Commissioner*.

The applicant herein applies to this Commission for a certificate that the present and future public convenience and necessity require it to construct, maintain and operate a system of gas pipes and gas mains in the following described territory in the county of Los Angeles:

All that portion of the county of Los Angeles lying south of the north line of township 1 north, San Bernardino base and meridian, and west of the west line of range 10 west, San Bernardino base and meridian, and west of the east line of range 11 west, San Bernardino base and meridian, said line being the dividing line between range 11 and range 10 west, San Bernardino base and meridian; excepting therefrom all pieces or parcels of land included in any incorporated city or town; and excepting therefrom public roads and highways mentioned in Ordinance No. 319 (new series) of the county of Los Angeles.

And to exercise rights and privileges granted to it by Ordinance No. 329 (new series) of the board of supervisors of Los Angeles County.

No opposition is raised to the granting of this application, but I find similar objections to those discussed in the opinion in Application 921, to this franchise. The representative of the applicant indicated his willingness, at the hearing, to take action similar to that taken by the Southern California Gas Company in Applications Nos. 921, 922 and 923, and on filing a stipulation similar in form to the one therein set out, I recommend that the application be granted on the terms prescribed in the order hereto.

I submit the following order:

**ORDER.**

Los Angeles Gas and Electric Corporation having applied to this Commission for a certificate that the present and future public convenience and necessity require and will require it to lay, construct, maintain and operate gas pipes and gas mains under and along certain public roads and highways in the county of Los Angeles, hereinbefore described, and to exercise rights and privileges granted to it by the board of supervisors of Los Angeles County in Ordinance No. 329 (new series), passed and approved on the 28th day of July, 1913; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the present and future public convenience and necessity require and will require the laying, construction, operation and maintenance by this applicant of gas pipes and gas mains, as hereinbefore referred to, and the exercise by it of

the rights and privileges granted to it by Ordinance No. 329 (new series), of the board of supervisors of the county of Los Angeles.

And basing its order on the foregoing findings of fact,

*It is hereby ordered* that permission is granted to the applicant to lay, construct, maintain and operate a system of gas pipes and gas mains, as aforesaid, and to exercise rights and privileges granted to it under Ordinance No. 329 (new series), passed and approved by the board of supervisors of the county of Los Angeles on the 28th day of July, 1913, under the following conditions, and not otherwise:

1. Neither the language from section 4 of said ordinance, as follows:

“The grantee of such franchise shall, upon request of any person residing, or having a place of business upon, property abutting upon any street or highway along which a pipe line shall be constructed, and upon the payment of the grantee’s reasonable charges for making the connection and for furnishing gas, furnish to such person an adequate supply of gas for domestic or manufacturing use.”

Nor any other language, nor any part thereof, shall be construed by or on behalf of said applicant or the board of supervisors of Los Angeles County as limiting in any way the lawful power of the Railroad Commission of the State of California at any time to make and enforce, as fully and effectually as though said condition had not been inserted in said franchise, any order concerning or affecting the making by said applicant of extensions or of service connections or the payment of the cost of making any of the same, or concerning or affecting the persons for whose benefit the extensions or connections shall be made.

2. The applicant herein and the county of Los Angeles shall file with this Commission a stipulation in the general form set out in the opinion in Application No. 921, substantially embodying the conditions set out in condition No. 1 hereof, and not until the filing of a stipulation which shall meet with the approval of this Commission in this regard shall this order become effective.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of March, 1914.



## DECISION No. 1348.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORITY TO EXERCISE RIGHTS AND PRIVILEGES UNDER A FRANCHISE HERETOFORE GRANTED TO IT BY THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES.

---

Application No. 922.

*Decided March 17, 1914.*

---

Application of the Southern California Gas Company for a certificate of public convenience and necessity permitting it to lay a system of pipe lines for the distribution of gas over and along certain streets and highways in Los Angeles County, granted.

*O'Melveny, Stevens & Millikin and Sayre MacNeil*, for Applicant.

*A. J. Hill*, for Board of Supervisors of Los Angeles County.

*Albert Lee Stephens and Howard Robertson*, for City of Los Angeles.

REPORT OF THE COMMISSION.

ESHLEMAN, *Commissioner*.

This is an application, in the same form as that considered in Application No. 921, to serve certain designated territory in the county of Los Angeles, as prescribed by Ordinance No. 331 (new series) of the board of supervisors of Los Angeles County, approved the 28th day of July, 1913.

The Midway Gas Company, a utility of like character, has a main on some of the roads here involved but does not distribute gas locally therefrom and does not oppose the granting of this application.

The territory affected by this application is described as follows:

Beginning at the intersection of the westerly line of Los Angeles County and the southerly boundary line of the Santa Barbara National Forest Reserve; thence easterly, northerly and southerly along said boundary line of the Santa Barbara National Forest Reserve to the southerly line of the Los Angeles National Forest Reserve; thence easterly and southerly along the southerly boundary line of the Los Angeles National Forest Reserve to the range line between townships 1 north, range 12 west, and 1 north, range 13 west; thence southerly along line between townships 1 north, range 12 west, and 1 north, range 13 west, to the south line of section 24 in township 1 north, range 13 west; thence west along the south line of sections 24 and 23 in township 1 north, range 13 west, to the west line of section 23 in same township; thence north along west line of sections 23 and 14, same township, to the incorporate city limits of the city of Glendale; thence northerly, westerly and south-

erly along the city limits of the city of Glendale to the intersection with the south line of section 9 in township 1 north, range 13 west; thence west along the south line of sections 9, 8 and 7, same township, to the range line between townships 1 north, range 13 west, and 1 north, range 14 west; thence southerly along range line between townships 1 north, range 13 west, and 1 north, range 14 west, to the north city limits of the city of Los Angeles; thence westerly and southerly along the city limits of the city of Los Angeles to the township line between townships 1 north and 1 south, otherwise known as the San Bernardino base line; thence west along San Bernardino base line to the easterly line of Rancho San Vicente y Santa Monica; thence southerly and westerly along the east boundary line of Rancho San Vicente y Santa Monica to the west city limits of the city of Sawtelle; thence southerly and westerly along west city limits of the city of Sawtelle to the north city limits of the city of Santa Monica; thence westerly and southerly along the city limits of the city of Santa Monica to the intersection with the high water mark of that part of the Pacific Ocean known as Santa Monica Bay; thence westerly along said high water line to the intersection with the range line between ranges 16 and 17 west, of San Bernardino base and meridian; thence north along said range line to the northeast corner of township 1 south, range 17 west; thence west along the north line of township 1 south, range 17 west, to the south quarter corner of section 33 in township 1 north, range 17 west; thence north along the quarter section line of sections 33, 28, 21 and 16, in township 1 north, range 17 west, to the west boundary line of Los Angeles County; thence northerly and easterly along said boundary line of Los Angeles County to the point of beginning.

Omitting in the above described territory all highways within the incorporate limits of the city of Burbank and the city of San Fernando.

The same question is here involved as in Application No. 921, the ordinance being similar in form and the same objections attaching thereto. The applicant and the attorney for the county of Los Angeles have entered into a stipulation similar in form to the one set out in the opinion in Application No. 921, which stipulation is hereby referred to for particulars.

I recommend the granting of the application on similar conditions to those imposed in Application No. 921, and I submit herewith the following order:

#### ORDER.

Southern California Gas Company having applied to this Commission for a certificate of public convenience and necessity authorizing it to lay, construct, operate and maintain a system of gas pipes and pipe lines under and along certain public roads and highways in the county of Los Angeles, described in the opinion hereto, and to exercise rights

and privileges under a franchise granted to it by Ordinance No. 331 (new series) of the board of supervisors of Los Angeles County, passed and approved on the 28th day of July, 1913; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the present and future public convenience and necessity require and will require the granting of the application herein to lay, construct, operate and maintain a system of gas pipes and pipe lines under and along certain public roads and highways in the county of Los Angeles within the territory described in the opinion hereto, and to exercise rights and privileges under a franchise heretofore granted to it in Ordinance No. 331 (new series) passed and approved on the 28th day of July, 1913, by the board of supervisors of Los Angeles County.

And basing this order on the foregoing findings of fact,

*It is hereby ordered* that permission is granted to the Southern California Gas Company to lay, construct, operate and maintain a system of gas pipes and pipe lines under and along certain public roads and highways in the county of Los Angeles, described in the opinion hereto, and to exercise rights and privileges granted to it under the franchise heretofore referred to, on the following conditions, and not otherwise:

Neither the language in said franchise as follows:

“That the grantee of the said franchise shall, upon request from any person residing, or having a place of business upon property abutting, upon any street or highway along which a pipe line, under the provisions of this franchise, shall be constructed, and upon the payment of the grantee’s reasonable charges for making the connection and for furnishing gas, furnish to such person an adequate supply of gas for domestic or manufacturing purposes.”

Nor any other language occurring in said franchise, shall be construed, nor shall any part thereof be construed by or on behalf of said applicant as limiting in any way the lawful power of the Railroad Commission of the State of California at any time to make and enforce as fully and effectually as though said condition had not been inserted in said franchise, any order concerning or affecting the making by said applicant of extensions or of service connections or the payment of the cost of making any of the same or concerning or affecting the persons for whose benefit the extensions or connections shall be made.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of March, 1914.

## DECISION No. 1349.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AND AUTHORITY TO EXERCISE RIGHTS AND PRIVILEGES UNDER A FRANCHISE HERETOFORE GRANTED TO IT BY THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES.

---

Application No. 923.

*Decided March 13, 1914.*

---

Application of the Southern California Gas Company for a certificate of public convenience and necessity permitting it to construct a gas distributing system along certain streets and highways in Los Angeles County, granted.

*O'Melveny, Stevens & Millikin and Sayre MacNeil*, for Applicant.

*A. J. Hill*, for Board of Supervisors of Los Angeles County.

*Albert Lee Stephens and Howard Robertson*, for City of Los Angeles.

## REPORT OF THE COMMISSION.

*ESHELMAN, Commissioner.*

This is an application by the Southern California Gas Company, similar in form to those considered in Applications Nos. 921 and 922, wherein it is sought to operate within certain territory in the county of Los Angeles, under the provisions of Ordinance No. 332 (new series), passed and approved on the 29th day of July, 1913, by the board of supervisors of Los Angeles County. The territory involved is described as follows:

Beginning at the intersection of the township line between townships 2 and 3 south of San Bernardino base line, and the east boundary line of the city of Los Angeles, as per annexation to city of Los Angeles by Ordinance 13347, n. s., under date of December 26, 1906; thence easterly along the line between townships 2 and 3 south to west city limits of Watts; thence south along the west city limits of Watts to the south line of Watts; thence east along south line of Watts to the east boundary line of Watts; thence northerly following easterly boundary line of Watts and its intersection with the township line between townships 2 and 3 before mentioned; thence easterly along said township line between townships 2 and 3 to the northeast corner of township 3 south, range 11 west; said corner is in the easterly line of Los Angeles County coincident with the west boundary line of Orange County; thence southerly and westerly following boundary line between Orange and Los Angeles counties as is shown on the official map of Los Angeles County, to its intersection with high water line of

that part of the Pacific Ocean known as San Pedro Bay; thence westerly along said high water line to the east city limits of the city of Long Beach; thence northerly and westerly along the incorporate limits of the city of Long Beach to the southerly line of a one hundred foot strip, part of the territory annexed to the city of Long Beach under date of January 10, 1910; thence easterly, northerly and westerly, following the lines of the one hundred foot strip, part of the city of Long Beach, to the most northwesterly corner of the city of Long Beach; thence southerly and westerly along the northerly line of the incorporate limits of the city of Long Beach to its intersection with the northeasterly boundary line of the city of Wilmington, now a part of the city of Los Angeles by annexation under Ordinance No. 18374, N. S., August 28, 1910; thence westerly and northerly and easterly following the boundary line of the city of Los Angeles to the place of beginning.

Omitting from above described territory all highways within the incorporate limits of the city of Compton.

No other utility of like character serves this territory. The franchise involved has identically the same objections as those set out in the opinion in Application No. 921. The parties have filed a stipulation identical in form to the one set out in the opinion in Application No. 921, and on the conditions to be imposed in the order and on the basis of said stipulation I recommend the granting of the application.

I submit the following order:

#### ORDER.

Southern California Gas Company having applied to this Commission for a certificate that the present and future public convenience and necessity require and will require it to lay, construct, operate, and maintain certain gas pipes and gas mains under and along certain public roads in the county of Los Angeles described in the ordinance heretofore referred to, and to exercise rights and privileges under a franchise heretofore granted to it by the board of supervisors of the county of Los Angeles, in Ordinance No. 332 (new series), passed and approved by the board of supervisors of said county on the 29th day of July, 1913; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the present and future public convenience and necessity require the granting to the applicant of the privilege to lay, construct, maintain, and operate certain gas pipes and gas mains under and along certain public roads and highways in the county of Los Angeles, hereinbefore described, and the exercise by the applicant of rights and privileges granted to it under the terms of the franchise heretofore referred to, and basing this order on the foregoing findings of fact,

*It is hereby ordered* that permission be granted to Southern California Gas Company to lay, construct, maintain, and operate gas pipes and gas mains along certain public roads and highways in the county of

Los Angeles, hereinbefore described, and to exercise rights and privileges under a franchise granted to it by the board of supervisors of Los Angeles County in Ordinance No. 332 (new series), passed and approved on the 29th day of July, 1913, on the following conditions, and not otherwise:

Neither the language in said franchise, as follows:

“That the grantee of the said franchise shall, upon request from any person residing, or having a place of business upon property abutting, upon any street or highway along which a pipe line, under the provisions of this franchise, shall be constructed, and upon the payment of the grantee’s reasonable charges for making the connection and for furnishing gas, furnish to such person an adequate supply of gas for domestic or manufacturing purposes.”

Nor any other language occurring in said franchise, shall be construed, nor shall any part thereof be construed by or on behalf of said applicant as limiting in any way the lawful power of the Railroad Commission of the State of California at any time to make and enforce as fully and effectually as though said condition had not been inserted in said franchise, any order concerning or affecting the making by said applicant of extensions or of service connections or the payment of the cost of making any of the same, or concerning or affecting the persons for whose benefit the extensions shall be made.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of March, 1914.

---

DECISION No. 1350.

IN THE MATTER OF THE APPLICATION OF PENINSULAR RAILWAY COMPANY AND SAN JOSE RAILROADS FOR APPROVAL OF A CERTAIN CONTRACT RELATING TO THE JOINT USE OF STREET RAILWAY LINES IN THE COUNTY OF SANTA CLARA, AND FOR AN ORDER AUTHORIZING THE USE AND OPERATION OF SAID LINES IN ACCORDANCE WITH SAID CONTRACT.

---

Application No. 959.

*Decided March 17, 1914.*

---

Application for the approval of a joint trackage and interchange of transfer agreement entered into by applicants granted, provided said agreement shall not act to the exclusion of a third party should they desire equal privileges under such agreement.

*S. F. Leib.* for Applicants.

## REPORT OF THE COMMISSION.

ESHLEMAN, *Commissioner*.

This is an application on the part of the parties hereto for this Commission's approval of the following contract:

*This agreement, made and entered into this ——— day of ——— A. D. 191—, by and between Peninsular Railway Company, corporation, organized and existing under the laws of the State of California, party of the first part, and San Jose Railroads, a corporation, organized and existing under the laws of the State of California, party of the second part, witnesseth:*

Whereas each of the said parties hereto is the owner of certain railway lines within the county of Santa Clara, State of California; and

Whereas in pursuance of certain franchises and agreements, and for the greater convenience of the public, it is desirable that under the conditions herein mentioned, the owner of one company should be permitted to operate its cars over the lines of the other company,

It is hereby agreed between the parties hereto that whenever such public convenience so demands or the more economic operation of the lines of either company so permits, either of the parties hereto may operate its cars over the lines of the other of the parties hereto; and, in consideration therefor, shall pay to the other of said parties the sum of four cents per each mile traveled by each car of said party over the railway line of the other of said parties.

It is further agreed between said parties that said party of the second part shall sell upon any of its cars, operated within the city limits of San Jose, as such city limits existed upon the 25th day of April, A. D. 1912, a through ticket good over the lines of the Peninsular Railway Company to Alum Rock Park, lying easterly of said city of San Jose, for the sum of ten cents, and retain to itself the sum of two and one half cents for each ticket so sold by it, and that said party of the second part shall honor transfers issued on cars coming from Alum Rock Park over the lines of the party of the first part to all points within the said city limits as they existed on the said 25th day of April, A. D. 1912.

It is further agreed that accounting for the above trackage rights, and for all tickets so sold, shall be had between the said parties monthly.

*In witness whereof*, the parties hereto have caused their corporate names to be respectively subscribed and their corporate seals to be respectively affixed by their respective presidents and secretaries hereunto duly authorized, the day and year first above written.

No opposition to the granting of this application was made at the hearing, and it appears that the arrangement will greatly benefit the traveling public in the city of San Jose and its environs.

It should be understood, however, that the approval of this contract does not in any wise commit this Commission to the approval of exclu-

sive privileges on the part of either of the applicants to the use of the facilities of the other. If hereafter a third agency should apply for similar privilege under like conditions, the Commission would require either the granting of such application or the elimination of this contract.

I submit the following order:

**ORDER.**

Peninsular Railway Company and the San Jose Railroads having applied to this Commission for the approval of a certain contract, set out in the opinion hereto, and a hearing having been held, and being fully apprised in the premises.

*It is hereby ordered* that said contract be and the same is hereby approved. This approval, however, to be subject to revocation at any time when it shall appear to this Commission that public convenience and necessity do not require it further to be carried out.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of March, 1914

---

DECISION No. 1351.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORIZATION TO EXERCISE RIGHTS AND PRIVILEGES UNDER A FRANCHISE HERETOFORE GRANTED TO IT BY THE COUNTY OF ORANGE.

---

Application No. 906.

*Decided March 17, 1914.*

---

Application of the Southern California Gas Company for a certificate of public convenience and necessity permitting it to construct a pipe line system for the purposes of carrying oil, natural or artificial gas along certain roads and highways in the county of Orange, granted.

*O'Melveny, Stevens & Millikin and Sayre MacNeil, for Applicant.*

**REPORT OF THE COMMISSION.**

*ESHLEMAN, Commissioner.*

This is an application on the part of the Southern California Gas Company for a certificate of public convenience and necessity to lay gas



mains within certain designated territory within the county of Orange and to exercise rights and privileges under a certain franchise granted to it by the board of supervisors of Orange County by Ordinance No. 101, passed on the 7th day of October, 1913. This ordinance grants the right to the applicant to lay, construct, maintain and operate a system of pipes and pipe lines for the purpose of carrying oil and natural or artificial gas along the route and under and along any of the public roads and highways within the territory situated within the county of Orange, described as follows:

All that portion of Orange County lying northwesterly of the following described line:

Commencing at the southwesterly corner of the city of Newport Beach, thence northeasterly to the northwesterly corner of the said city of Newport Beach, then southeasterly following the northeasterly boundary line of said city of Newport Beach to its intersection with the northwesterly line of block fifty-four (54) of Irvine Subdivision as per map thereof recorded in Map Book 1, page 88, Miscellaneous Records of Orange County, California; thence northerly 40 degrees east to the northerly corner of lot one hundred fifty-seven (157), block fifty-two (52) of the said Irvine Subdivision; thence northerly 50 degrees west to the westerly corner of lot one hundred fifty-four (154), block four (4) of the said Irvine Subdivision; thence northeasterly following the northwesterly line of the said Irvine Subdivision to its intersection with the Irvine-Bixby compromise line as per map thereof recorded in Book 1, page 37, Record of Surveys of Orange County, California; thence easterly following the said Irvine-Bixby compromise line to its intersection with the east boundary line of Orange County.

This franchise is in the form prescribed by the general laws of the State, and provides for the payment by applicant of 2 per cent of the gross receipts and is in all, except some minor respects, in accordance with the usual form under the provisions of the co-called Broughton Act.

The territory involved is not now served by any other utility of like character and there is no opposition to the granting of this application.

I submit the following order:

#### ORDER.

Southern California Gas Company having applied to this Commission for a certificate of public convenience and necessity to lay, construct, maintain, and operate a system of pipes and pipe lines for the purpose of carrying oil and natural or artificial gas along a route and under and along any of the public roads and highways within territory in the county of Orange, described in the opinion hereto, and to exercise rights and privileges under a franchise heretofore granted to it by the county of Orange, and a hearing having been held and being fully apprised in the premises, the Commission hereby finds as a fact that the present and future public convenience and necessity require and will

require the granting of the certificate, as applied for, and the exercise by this applicant of the rights and privileges under said franchise; and basing this order on the foregoing findings of fact,

*It is hereby ordered* that permission be granted to the applicant, Southern California Gas Company to lay, construct, maintain and operate a system of pipes and pipe lines for the purpose of carrying oil and natural or artificial gas along the route and under and along any of the public roads and highways within the territory situate in the county of Orange, hereinbefore in the opinion hereto described, and to exercise the rights and privileges under a franchise, heretofore referred to, granted by Ordinance No. 101, adopted and approved by the board of supervisors of Orange County on the 7th day of October, 1913.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of March, 1914.

---

DECISION No. 1352.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AND AUTHORIZATION TO EXERCISE RIGHTS AND PRIVILEGES UNDER A FRANCHISE HERETOFORE GRANTED TO IT BY THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES.

---

Application No. 921.

*Decided March 17, 1914.*

---

Application of the Southern California Gas Company for a certificate of public convenience and necessity permitting it to construct a gas distributing system along certain public highways in the county of Los Angeles granted, provided that applicant's franchise from the county of Los Angeles shall not be construed as limiting the powers of the Commission as to installation of service connections.

*O'Melveny, Stevens & Millikin and Sayre MacNeil*, for Applicant.

*A. J. Hill*, for Board of Supervisors of Los Angeles County.

*Albert Lee Stephens and Howard Robertson*, for City of Los Angeles.

REPORT OF THE COMMISSION.

*ESHELMAN, Commissioner.*

This is an application on the part of the Southern California Gas Company for a certificate of public convenience and necessity and

authority to exercise rights and privileges under a franchise granted by the board of supervisors of the county of Los Angeles in Ordinance No. 330 (new series), adopted and approved July 28, 1913. This franchise grants to the applicant the right to lay, construct, maintain, and operate a system of gas pipes and pipe lines under and along any of the public highways within the territory situate in the county of Los Angeles, described as follows:

Beginning on the line between Los Angeles and Orange counties at the southwest corner of township 2 south, range 10 west: thence north along the west line of township 2 south, range 10 west, to the intersection with the southerly right of way line of the San Pedro, Los Angeles and Salt Lake Railroad; thence easterly following said southerly right of way line of San Pedro, Los Angeles and Salt Lake Railroad to its intersection with the north line of township 2 south, range 9 west; thence east along the north line of township 2 south, range 9 west, to the west city limits of the city of Pomona; thence southerly and easterly along the city limits of the city of Pomona to the line between San Bernardino and Los Angeles counties; thence southerly and westerly along line between San Bernardino and Los Angeles counties to the north line of Orange County; thence west along the line between Orange and Los Angeles counties to the point of beginning.

The ordinance here involved is in the usual form and unobjectionable, except as regards sections 4 and 5 thereof, which read as follows:

Section 4. "That all the pipes and pipe lines to be laid and maintained under this franchise shall be of good material and workmanship and of sufficient size to supply all persons residing along the line of the said pipes or pipe lines with an adequate supply of gas for domestic or manufacturing purposes, and that the gas to be furnished and distributed through said pipe lines shall be of good quality, free from injurious ingredients and of sufficient purity to be suitable for domestic or manufacturing use; and that the grantee of the said franchise shall, upon request from any person residing, or having a place of business upon property abutting upon any street or highway along which a pipe line, under the provisions of this franchise, shall be constructed, and upon the payment of the grantee's reasonable charges for making the connection and for furnishing gas, furnish to such person an adequate supply of gas for domestic or manufacturing use."

Section 5. "That the board of supervisors of the county of Los Angeles shall have the right to regulate and fix the charges of said grantee, its successors or assigns, for gas furnished or distributed through said pipes or pipe lines and for the making of connections to said pipes or pipe lines when not otherwise provided by law, provided the rates so fixed shall be reasonable."

The language in section 5, concerning the fixing of rates, is inoperative, of course, because the Railroad Commission of the State of Cali-

ifornia has that power in the territory here involved; but section 4 and the language in section 5 referring to service connections I find particularly objectionable. Under the terms of this section the applicant might well urge that it was relieved from the necessity of extending its facilities to consumers other than those residing upon the property abutting upon the highways involved, and that it was not obliged to make any extensions except on the payment by the consumers of the cost of making such extensions and connections. This Commission should not approve a franchise having such effect, and in view of this fact it was suggested to the applicant and the board of supervisors of Los Angeles County that a stipulation be entered into which might be the basis of a condition in the order which would avoid the necessity of requiring a new franchise to be granted which will eliminate these objectionable provisions. Such stipulation has been entered into in the following form:

It is hereby stipulated and agreed by Southern California Gas Company, a corporation, the applicant herein, that the condition in the franchise mentioned in its application herein, being a portion of section 4 of Ordinance No. 330 (new series) of the board of supervisors of Los Angeles County, being in words and figures as follows:

"That the grantee of the said franchise shall, upon request from any person residing, or having a place of business upon property abutting, upon any street or highway along which a pipe line, under the provisions of this franchise, shall be constructed, and upon the payment of the grantee's reasonable charges for making the connection and for furnishing gas, furnish to such person an adequate supply of gas for domestic or manufacturing use," shall not be construed, nor shall any part thereof be construed, by or on behalf of said applicant, as limiting in any way the lawful power of the Railroad Commission of the State of California, at any time, to make and enforce, as fully and effectually as though said condition had not been inserted in said franchise, any order concerning or affecting the making by said applicant of extensions, or of service connections, or the payment of the cost of making any of the same or concerning or affecting the persons for whose benefit the extensions or connections shall be made; and the said applicant hereby stipulates and agrees for and on behalf of itself, its successors and assigns, that neither it, nor its successors or assigns, shall at any time interpose said condition above mentioned or any part thereof, as a defense or objection to the lawful order of said Railroad Commission as to any of the matters above enumerated.

Said applicant does not hereby waive any right to object to, or to resist, the making or enforcing of any order of said Commission upon any ground, or for any reason, other than as herein expressly set forth.

Applicant further stipulates that the substance and effect of this stipulation may be inserted as a condition or proviso in any order

of the said Commission which may be made, granting to said applicant the certificate applied for in this matter.

*Witness* the corporate name and seal of said applicant, signed and affixed by its officers thereunto duly authorized.

SOUTHERN CALIFORNIA GAS COMPANY,  
By A. C. BALCH, Vice-President.  
By L. M. FARNHAM, Secretary.

(Corporate Seal)  
Dated January 31, 1914.

O'MELVENY, STEVENS & MILLIKIN,  
SAYRE MACNEIL,  
Attorneys for said Applicant.

The foregoing stipulation is hereby approved.

A. J. HILL,  
Attorney for the County of Los Angeles.

On the basis of this stipulation, and treating it as a condition in the order upon which the affirmative action of this Commission is based, I recommend that the application be granted, as the section involved is in need of gas and is not served by any other utility of like character.

I recommend the following order:

**ORDER.**

Southern California Gas Company having applied to this Commission for a certificate of public convenience and necessity to operate in certain territory in the county of Los Angeles, not now served by any other utility of like character, and to exercise rights and privileges under a franchise heretofore granted to it by the board of supervisors of the county of Los Angeles; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the present and future public convenience and necessity require, and will require, the construction, maintenance and operation of a system of gas pipes and pipe lines under and along the public highways within the county of Los Angeles, as described in the opinion hereto, and the exercise of rights and privileges granted to the applicant by the board of supervisors of the county of Los Angeles in Ordinance No. 330 (new series), subject to the conditions imposed in this order, and not otherwise.

And basing this order on the foregoing findings of fact,

*It is hereby ordered* that permission is granted to the Southern California Gas Company to lay, construct, maintain, and operate a system of gas pipes and pipe lines under and along the public highways within the territory described in the opinion hereto, in the county of Los Angeles, and to exercise rights and privileges granted to it under the provisions of Ordinance No. 330 (new series) of the board of super-

visors of Los Angeles County, on the following conditions, and not otherwise:

The language set out in the stipulation in the opinion hereto and hereby referred to for particulars, shall not be construed, nor shall any part thereof be construed, by or on behalf of the applicant herein or the board of supervisors of Los Angeles County, as limiting in any way the lawful power of the Railroad Commission of the State of California at any time to make and enforce, as fully and effectually as though said condition had not been inserted in said franchise, any order concerning or affecting the making by said applicant of extensions or of service connections, or the payment of the cost of making any of the same, or concerning or affecting the persons for whose benefit the extensions or connections shall be made.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of March, 1914.

---

DECISION No. 1353.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE EXERCISE OF CERTAIN FRANCHISE RIGHTS AND THE CONSTRUCTION OF AN ELECTRICAL TRANSMISSION LINE IN THE TOWN OF ANTIOCH, COUNTY OF CONTRA COSTA.

---

Application No. 1031.

*Decided March 17, 1914.*

---

REPORT OF THE COMMISSION.

Great Western Power Company, a corporation, having applied to this Commission for a certificate that public convenience and necessity require the exercise by applicant of rights and privileges granted to applicant by the town of Antioch in Ordinance No. 22-A, adopted on February 10, 1913, and later modified by a certain agreement made and entered into between applicant and the town of Antioch on December 24, 1913, by which ordinance as modified in said contract applicant is

given the right to construct an electrical transmission line in the town of Antioch, Contra Costa County, California, upon the following portions of the following streets:

“That portion of A street lying southerly of the northerly line of Wilbur avenue or county road, extending across said A street and lying northerly of the southerly line of Knapp or Ninth street, extending easterly across said A street, and also the whole of said Knapp street or Ninth street extending from the easterly line of A street westerly to the westerly line of West or O street;

And it appearing that applicant does not intend to distribute electrical energy in the town of Antioch, but merely to provide a transmission line through said town; and that the Pacific Gas and Electric Company, which company is now distributing electrical energy within the town of Antioch, has no objection to the construction of this line by applicant; and it appearing further that this is not a case in which a public hearing is necessary.

*It is hereby declared* that public convenience and necessity require the exercise by the Great Western Power Company of the right to exercise the rights and privileges granted to applicant by the town of Antioch in its Ordinance No. 22-A, adopted on February 10, 1913, and modified by a certain agreement made and entered into between said applicant and said town of Antioch on December 24, 1913, in so far as said ordinance and agreement give to applicant the right to construct, maintain, and operate an electrical transmission line upon the following portions of the following streets in the said town of Antioch, county of Contra Costa, State of California, to wit:

That portion of A street lying southerly of the northerly line of Wilbur avenue or county road, extending across said A street and lying northerly of the southerly line of Knapp or Ninth street, extending easterly across said A street, and also the whole of said Knapp street or Ninth street extending from the easterly line of A street westerly to the westerly line of West or O street.

This order does not authorize the Great Western Power Company to distribute electric energy within the said town of Antioch but merely to construct, maintain, and operate an electrical transmission line through said town for the transmission of electric energy, to be distributed outside the corporate limits of said town.

By order of the Railroad Commission.

Dated at San Francisco, California, this 17th day of March, 1914.

Decisions Nos. 1354, 1355, 1356, 1357, grade crossings; not printed. See end of volume.

DECISION No. 1358.

IN THE MATTER OF THE APPLICATION OF COLUSA AND HAMILTON RAILROAD COMPANY, SOUTHERN PACIFIC RAILROAD COMPANY AND SOUTHERN PACIFIC COMPANY FOR AN ORDER AUTHORIZING A LEASE BY COLUSA AND HAMILTON RAILROAD COMPANY TO SOUTHERN PACIFIC RAILROAD COMPANY OF ITS RAILROAD AND AUTHORIZING AND APPROVING ASSIGNMENT OF SAID LEASE BY SOUTHERN PACIFIC RAILROAD COMPANY TO SOUTHERN PACIFIC COMPANY.

Application No. 1005.

*Decided March 17, 1914.*

Application of the Colusa and Hamilton Railroad Company to lease its line of railway, now in course of construction between Harrington and Hamilton, California, to the Southern Pacific Railroad Company, and of the latter company to assign said lease to the Southern Pacific Company, granted.

*Guy B. Shoup, for Applicant.*

REPORT OF THE COMMISSION.

THELEN, *Commissioner.*

This is an application for an order of this Commission authorizing the lease by Colusa and Hamilton Railroad Company of all the property and rights of the Colusa and Hamilton Railroad Company, with certain unimportant exceptions, and the assignment of said lease by Southern Pacific Railroad Company to Southern Pacific Company.

Colusa and Hamilton Railroad Company was incorporated under the laws of this State on July 18, 1911, for the purpose of constructing a single or double line of railroad of standard gauge, together with a line of telephone or telegraph for use in connection therewith, from a connection with the line of railroad of the Southern Pacific Railroad Company at or near Harrington, Colusa County, California, thence running in a general northeasterly and northerly direction to a point at or near Hamilton, Glenn County, California, to a connection with the tracks of the Southern Pacific Railroad Company, the estimated length being about sixty-one miles. The company was incorporated by officials of the Southern Pacific Company as a subsidiary corporation. The Southern Pacific Company owns all the stock and has furnished all the money for the construction of the railroad. The railroad has now been completed a distance of some 38.618 miles continuously northerly



from Harrington to Princeton and the Southern Pacific Company desires to open this portion of the line to operation. Nearly all of the right of way for the remaining portion of the road has been secured, nearly all the grading has been completed and practically all of the track material necessary to complete the road is on hand. The completion of the road to Hamilton is being delayed by certain condemnation proceedings for the acquisition of some three miles of the remaining right of way.

The applicants allege that the cost of the road to date has been \$1,167,572.36, and that the cost to complete the road is estimated at \$550,000.00.

The parties now ask authority to execute a lease of this road from Colusa and Hamilton Railroad Company to the Southern Pacific Railroad Company in substantially the form attached to the petition as Exhibit "A," and to execute an assignment of said lease from Southern Pacific Railroad Company to Southern Pacific Company in substantially the form which is attached to the petition herein as Exhibit "B."

The lease from the Colusa and Hamilton Railroad Company to the Southern Pacific Railroad Company is to cover the former's entire contemplated railroad between Harrington and Hamilton, a distance of 61.257 miles, and is to include all the property, real, personal and mixed, rights, privileges and franchises of the leased line or lines, except the franchise to be a corporation, and except cash or securities on hand, moneys due or to become due, bills and accounts receivable, and books, papers and records. The term of the lease is to be five years from January 1, 1914. As full compensation for the lease, the Southern Pacific Railroad Company agrees to pay to the lessor annually an amount equal to 6 per cent per annum on the cost of the road as so far constructed, together with 6 per cent per annum on such amounts as may hereafter be properly charged on account of said road to capital account, betterments and additions. The Southern Pacific Railroad Company agrees to operate the railroad or to cause the same to be operated and to pay the expenses of operation, maintenance, repairs and renewals thereof and all the additional expenses connected therewith, and all sums which may legally be assessed as or for taxes or assessments upon the demised premises or any part thereof. The lease contains other provisions to which it is not necessary at this time to refer.

This lease is made to the Southern Pacific Railroad Company for the reason that this company owns the existing line of railroad running through Harrington and Hamilton, and the assignment of the lease from Southern Pacific Railroad Company to the Southern Pacific Company is to be made for the reason that the Southern Pacific Railroad Company owns but does not operate lines of railroad, while the Southern Pacific Company is primarily an operating company.

Colusa and Hamilton Railroad Company has issued no bonds. Its entire indebtedness is represented by open account for the moneys which the Southern Pacific Company has expended in the construction of the road.

I find that the public convenience will be served by granting the application, on condition, however, that this Commission shall at all times have the right to make a supplemental order or orders modifying the terms of the lease. This Commission has as yet made no valuation of the property of the Colusa and Hamilton Railroad Company, and we do not at the present time know whether the cost of said road, given by the Southern Pacific Company as \$1,167,572.36, is a just and reasonable cost. The sum includes several items which are now being carefully scrutinized by this Commission in certain physical valuation cases now pending before it. The Commission should reserve the right to modify the sum to be paid as rental in case it be hereafter determined that alteration should be made in said sum of \$1,167,572.36, and to make such other alterations as from time to time may appear to be necessary and reasonable.

I recommend that the application be granted on the condition specified in the order, and submit herewith the following form of order:

**ORDER.**

Colusa and Hamilton Railroad Company, Southern Pacific Railroad Company and Southern Pacific Company having applied for an order authorizing the lease by Colusa and Hamilton Railroad Company to Southern Pacific Railroad Company of all the rights and property of the Colusa and Hamilton Railroad Company, with certain exceptions, as appears from a form of lease which is attached to the petition herein and marked Exhibit "A," and authorizing the assignment of said lease by Southern Pacific Railroad Company to Southern Pacific Company, as appears from Exhibit "B," attached to the petition herein, and a public hearing having been held on said application and the Commission finding that public convenience and necessity will be subserved by the granting of said application on the condition hereinafter specified,

*It is hereby ordered* that said application be and the same is hereby granted, the leases to be in substantially the form attached to the petition herein, and marked Exhibit "A" and Exhibit "B," respectively, but only on the condition that this Commission reserves the right, from time to time, to prescribe such alterations or changes in said lease and said assignment of lease as to it may seem necessary and proper.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of March, 1914.

## DECISION No. 1359.

IN THE MATTER OF THE APPLICATION OF CENTRAL CALIFORNIA GAS COMPANY FOR AN ORDER AUTHORIZING THE CONVEYANCE OF CERTAIN REAL PROPERTY TO THE CITY OF PORTERVILLE FOR USE AS A PUBLIC STREET.

---

Application No. 1033.

*Decided March 18, 1914.*

---

## REPORT OF THE COMMISSION.

Whereas Central California Gas Company has filed with this Commission an application for authority to convey to the city of Porterville for the use by said city as a public street, the east 30 feet of lots 19, 20 and 21, in Block No. 50, in the city of Porterville, as per map recorded in Book 3, page 18, of Maps in the office of the county recorder of the county of Tulare, State of California; and,

Whereas said Central California Gas Company has now located on said property a certain brick reservoir and a concrete oil tank, and a certain steel gas holder and accessories, constituting a portion of its gas plant in said city of Porterville; and,

Whereas the city of Porterville heretofore on March 3, 1913, adopted a resolution of intention to extend Main street, in said city, southerly to a uniform width of 80 feet across the property of the said Central California Gas Company, hereinbefore described, and the city of Porterville has agreed to move from said property all the operative property of the said Central California Gas Company located thereon, and to set it up in place in complete working order on the remaining portion of the property of the Central California Gas Company prior to the conveyance by Central California Gas Company to the city of Porterville, of the real property hereinbefore described for use as a public street; and,

Whereas it appears from the verified petition on file herein that the conveyance of said property will be beneficial to the city of Porterville and that the extension of said Main street over said property will increase the value of the remaining portion of the real property of the Central California Gas Company to an amount greater than the loss of the property to be conveyed, and that the remaining portion of the property of the Central California Gas Company is at least ample for the efficient conduct thereon of the business of said Central California Gas Company;

*It is hereby ordered* that Central California Gas Company be and the same is hereby authorized to convey to the city of Porterville, for use as a public street, the east 30 feet of lots Nos. 19, 20 and 21, in Block

No. 50, in the city of Porterville, county of Tulare, State of California, as per map recorded in Book 3, page 18, of Maps in the office of the county recorder of Tulare County, on the following conditions and not otherwise, to wit:

1. The deed from the Central California Gas Company to the city of Porterville shall provide that the property is conveyed for use as a public street or highway, and that if at any time hereafter the property conveyed shall not be so used or if said public street or highway shall be abandoned, the property shall revert to the Central California Gas Company, its successors or assigns.

2. When the deed from the Central California Gas Company to the city of Porterville has been executed, a certified copy thereof shall be filed with this Commission.

No order is made authorizing the reconveyance of the above described property from the trustee to the Central California Gas Company, for the reason that it is not necessary to secure this Commission's consent to such reconveyance. The Commission's consent, however, is necessary before the utility itself can convey the property.

Dated at San Francisco, California, this 18th day of March, 1914.

---

DECISION No. 1360.

SOUTHWESTERN HOME TELEPHONE COMPANY

*vs.*

THE SOUTHERN SIERRAS POWER COMPANY.

---

Case No. 438.

*Decided March 19, 1914.*

---

REPORT OF THE COMMISSION.

ORDER OF DISMISSAL.

Southwestern Home Telephone Company, complainant in the above entitled matter, having filed written request with this Commission asking that its complaint against The Southern Sierras Power Company be dismissed,

*It is hereby ordered* that the same be and it is hereby ordered dismissed.

By order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of March, 1914.

## DECISION No. 1361.

IN THE MATTER OF THE APPLICATION OF EXCELSIOR WATER AND MINING COMPANY FOR AN ORDER AUTHORIZING AND PERMITTING A CHANGE IN THE RATES AND CHARGES FOR WATER FURNISHED AND SERVICES RENDERED BY IT IN THE COUNTIES OF NEVADA AND YUBA, STATE OF CALIFORNIA.

---

Application No. 934.

*Decided March 19, 1914.*

---

Application of the Excelsior Water and Mining Company petitioning the Commission for permission to establish a new schedule of rates, said rates being an increase over the present schedule and to establish and put into effect certain rules and regulations governing the distributing of water for irrigation purposes, granted.

*Fred Scarsls and Geo. S. Nickerson, for Applicant.*

*W. H. Carlin, for Protestants.*

## REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

The application of the Excelsior Water and Mining Company recites that they are in the business of furnishing water for irrigation purposes in the counties of Nevada and Yuba; that they irrigated during the past season approximately 1,785 acres. They allege that they have an available water supply of 2,000 inches, or 50 cubic feet per second; and that with necessary extensions and improvements they would be able to furnish water to approximately 5,000 acres of land.

Applicant is now furnishing water for irrigation at the following rates and charges, to wit:

Six dollars per acre for water used on alfalfa or other meadows where the amount of land irrigated by a single user is less than 5 acres.

Five dollars per acre for water used on alfalfa or other meadows where the amount of land irrigated by one user is 5 acres or more.

Three dollars per acre for water used on orchards.

It is alleged in the application that the company has been furnishing to its water users excessive amounts of water, resulting in a great waste and loss to the applicant, and that every attempt to prevail upon the consumers to become more conservative in their use of water has met with strong opposition.

It is stated in the application that the value of the water system, consisting of dams, reservoirs, flumes, pipe lines, ditches, tunnels,

buildings and other property, all used and useful for public utility purposes, is \$348,047.00; that the original cost to the applicant was approximately \$525,000.00; that the total expense in operation and maintenance during the year 1913 was \$15,896.00, with total receipts of \$11,527.00.

It is stated that the expenditure of approximately \$60,000.00 would be necessary to enable the company to reach and supply 5,000 acres of land.

Applicant prays that a fair and reasonable rate would be as follows:

A minimum charge per acre per year for the use of sufficient water to cover said acre of land one foot in depth (or 20 miner's inch days) said minimum to be \$4.00 per acre or its equivalent for less than one acre, said minimum to be paid on or before April 1st of each year.

For the use of each 10 miner's inch days additional (or sufficient water to cover one acre 6 inches in depth) an additional charge of \$1.25 payable on or before November 1st of each year.

The company also asks approval of the Railroad Commission of a schedule of rules and regulations presented with the application for consideration.

An investigation of the system was made by the hydraulic engineer of the Commission and a valuation of the system prepared in conjunction with Geo. S. Nickerson, engineer for the applicant. Public hearings were held in Nevada City on March 10th and 11th, at which time all matters in connection with these conditions were thoroughly canvassed.

This company's system had its inception in the construction of the Rough and Ready Ditch at Nevada City about 1850. The two ditches in which the greatest expenditures were involved are the China Ditch, alleged to have been built in 1851, and the Excelsior Ditch, built in 1861. It was conceded by applicant that these ditches were originally constructed for hydraulic and placer mining purposes. In all, about 130 miles of ditch are now used in the irrigation service of this company.

The water supplying this system is diverted from the South Fork of the Yuba River, Deer Creek, Squirrel Creek, and a number of smaller tributaries of these streams.

In regard to the water supply available in the hands of this company no definite records of continuous measurements were presented and none appear to be available. However, no doubt was cast upon the adequacy of the supply at the hearing, and it is assumed that the water supply is within the power of this company to control to the extent claimed, i. e., a minimum seasonal flow of 2,000 inches, or 50 cubic feet per second. Both the engineer for the applicant and the hydraulic engineer of the Commission testified that in their belief the ditches of

the system had recently been used to practically their full capacity and that this capacity would be in excess of the minimum amount above mentioned.

The reproduction value of the system was agreed upon by these two engineers to be \$512,721.00. No claim was made by the applicant for a valuation of water rights or other intangible assets. The present value of the system, without depreciating the earth work or other structural features having no measurable deterioration, was agreed upon by the two engineers testifying as \$453,240.00. The engineer for the Commission testified that he had not computed any depreciation for these certain structural features because depreciation by obsolescence and supersession may, and undoubtedly is existent, but it is not subject to measurement strictly as such. He also testified that as a measure of the proportion of the reproduction cost of the ditches of this system reduced to that part suitable for the present uses, he would reduce the earth work reproduction value by 40 per cent, being a measure of the value of these ditches to the irrigation system and their limited use for mining purposes. The total earth work reproduction cost being \$341,090.00, a reduction of 40 per cent would be \$136,455.00. This reduces the otherwise present value of \$453,240.00 to \$316,785.00. Such present value is the final testimony of the hydraulic engineer of the Commission as the value applicable in fixing the rates of this company for irrigation purposes. It was further testified that this reduction in the total reproduction cost would make the reasonable building cost for irrigation purposes \$376,266.00. Considering this sum applicable to 5,000 acres the cost per acre would be \$75.00, whereas if the total reproduction cost of the system as it stands were charged, it would be \$102.00 per acre. It was testified by the Commission's hydraulic engineer that the former amount might be considered a reasonable cost per acre under all conditions, while the latter sum would probably be considered prohibitive in comparison with similar projects.

The annual depreciation agreed upon by both engineers testifying was \$3,691.00. The attorneys for applicant and the attorney for the protestants stipulated that the valuations presented, with the exception of the reduction of earth work value as proposed by the hydraulic engineer of the Commission, be accepted.

The cost of maintenance and operation of the system was put in evidence by the company in the form of statements of receipts and expenditures for several past seasons. However, these statements are admitted to include expenditures properly chargeable to depreciation. Inasmuch as applicant has other large interests in this locality considerable testimony was introduced in an endeavor to fix upon the proper segregation of the time and duties of various employees of the company who spend a portion of their time in connection with the irrigation sys-

tem, and also a portion of their time in looking after private interests of the company. It is apparent that a determination of what has been spent by this company in the past can not be accepted as a measure of what should be the expense applicable to the irrigation of 5,000 acres of land and the attendant requirement of more efficient management. Under this head I will, therefore, consider \$13,500.00 per annum to be a reasonable amount for maintenance and operation.

I believe the necessary annual returns to applicant should be approximately as follows:

Interest estimated at 6 per cent on \$316,785.00.....	\$19,000 00
Annual depreciation of timber structures, etc.....	3,691 00
Maintenance and operation.....	13,500 00
<b>Total .....</b>	<b>\$36,191 00</b>

Applicant presented exhibits showing that in the last several years returns from water used for mining purposes ranged between \$5,000.00 and \$8,000.00 annually, having been reduced gradually to the lower sum, which it did not quite reach in 1913. I will assume that returns from water used for mining in the future will not exceed \$6,191.00 per annum, leaving \$30,000.00 to be obtained annually from the irrigation use on 5,000 acres of land, for which the water supply would not be reduced by use in mining.

With the foregoing assumptions full returns to this company will require an average payment per acre per year of \$6.00.

At the rates applied for by this company this would provide the land with 36 miner's inch days per acre at the average payment of 16 $\frac{2}{3}$  cents per miner's inch day.

The question then arises as to whether this quantity of water will or will not be sufficient for use on the lands benefited, and whether the price is prohibitive to the consumers. Persistent attempt was made at the hearing to obtain from employees of the company and from consumers, definite information as to the amounts of water that have actually been used in the past. However, it appeared to be impossible to determine anything definite beyond the fact that water had undoubtedly been wasted by both the consumers and the company.

In my opinion the amount of water available in the hands of this company is sufficient for decidedly more land than the 1,785 acres irrigated during the last season, and that the excess amount of water above what was actually necessary for the present acreage should undoubtedly be conserved for the benefit of the community at large.

Witnesses for the company reiterated that it was impossible under the present form of flat rate to obtain a more conservative use of water and to provide from the available supply any certain amount of water for additional lands. These witnesses alleged that while certain



consumers paid for a small acreage they would actually obtain benefit from the water for a much larger acreage at lower levels.

Witnesses for protestants alleged a considerable waste of water by the company itself, but could not definitely controvert the testimony of the company in regard to their own method of use. Both the company and the consumers seem to be so lacking in the knowledge essential to a proper use of water that it is my opinion that the rate should provide for payment by amounts of water used and that measurements should be established for at least one season in order to adequately test what may best be accomplished in this community for the good of all concerned. It is also my opinion that some obligation should be placed upon the consumer in the form of a guarantee to the company, to prevent the waste of water and to warrant continuance of service. I, therefore, recommend that the rates which this company asks authority to put into effect be established with the full understanding that such rates shall be subject to revision after a full season's thorough trial if found unsatisfactory or unreasonable.

I also desire it to be distinctly understood that in extending service to any lands for which water service has not been fully provided for in the past, that the lands of present consumers should first be fully protected in their right to obtain water, and make payment as hereinafter provided; and that should the present consumers not desire immediate service of water upon their lands that then the company may extend service to the reasonable limit of its capacity to other lands; and that in placing water on lands not now served no preference shall be given to any particular owners of land.

It is impossible with the very indefinite data available to state the amounts of water necessary for use in this particular community. Water use data in other communities where there is better knowledge is not directly applicable here. Therefore, it seems to me that it is essential that during this coming season actual measurement of water be made in order that the data then available may be used as a guide to the Commission should the rate fixed be found impracticable.

Testimony was produced at the hearing which makes it appear to me that two feet of water in depth applied on the land would probably be sufficient, with proper cultivation, to raise the average of crops common in foothill regions. It is well known that orchards would probably require somewhat less water and alfalfa somewhat more, but opinions on the subject must await further evidence.

With the exception of some minor changes, I recommend that the rules and regulations presented by applicant be put into effect. In recommending approval of these rules and regulations I wish it to be

understood that I limit the approval of such rules to this specific case, being influenced by the conditions here prevailing.

I submit herewith the following form of order:

**ORDER.**

The Excelsior Water and Mining Company of Smartsville, California, having applied to this Commission for permission to change its rates and charges for water furnished and services rendered by it in the counties of Nevada and Yuba, State of California, and for the approval of certain rules and regulations attached to its application and marked Exhibit "D." and the Commission having carefully investigated the matters concerned and a public hearing having been held in Nevada City,

*It is hereby ordered* by the Railroad Commission of the State of California that the applicant, Excelsior Water and Mining Company, be and it hereby is authorized to establish the following charges for water for irrigation purposes:

A minimum charge per acre per annum of \$4.00 for the use of sufficient water to cover one acre of land one foot in depth, equal to 20 miner's inch days, and for less than one acre a proportionate rate.

For the use of additional water at the rate of \$1.25 for 10 miner's inch days, or sufficient water to cover one acre six inches in depth.

(The words "miner's inch" wherever used herein, mean 1/40 of a second foot of water, or a flow of water equal to 2,160 cubic feet in every twenty-four hours.).

This minimum charge to be due and payable on or before April 1st of each year, and the charge for excess amounts to be due and payable on or before November 1st of each year.

*It is hereby further ordered* that applicant, at its own expense, install measuring and delivery boxes at the point of delivery to each consumer's land.

*It is hereby further ordered* that permission and authority be given applicant to put into effect the following rules and regulations:

1. No person shall place any obstruction or dam in any ditch belonging to the company.
2. The gates shall be regulated by the ditch tenders or the foreman, under the direction of the general manager of the company and no tampering nor interference with the gates by any of the water users will be allowed. Persons tampering or interfering with any of the gates of the company will be dealt with according to law.
3. The points where water is measured and delivered to water users, shall be restricted to gates and outlets in the company's ditches and canals.

4. Water shall be turned out of main or lateral ditches of the company for each water user at one or more gates at the option of the ditch foreman.

5. The manager of the company, or the foreman by permission of the manager, may grant permission to irrigators from time to time, to alter or change gates, but such permission will be personal only and for a specific time.

6. In the event that any water user has appropriated or used more water than his share at any irrigation, such amount of water shall be taken away from him at his next turn or time for irrigation.

7. It shall be allowed to irrigators to exchange time upon due notice given, provided such exchange is arranged for by due notice to the ditch tender on said irrigator's ditch.

8. In case an irrigator is not ready for water when his turn comes according to the schedule, he can not have water until his turn comes again, or until all of the other irrigators on his ditch are supplied; then he may be served with a larger quantity to compensate for the time lost, if there is sufficient water to give him the increased amount.

9. If a ditch tender fails or neglects to turn out water at the scheduled time and in proper amount, the water user will confer a favor on the company by promptly notifying the office of such failure or neglect.

10. The application of a water consumer for water for irrigation, stating the acreage for which he desires service during the coming season, must be filed with the company on or before April 1st of each year, excepting that provided the full 5,000 acres does not demand water before that time the company may allow such arrangement at a later date.

11. Nonpayment of water bills payable in advance after demand by the company or its agents shall be considered sufficient reason for not supplying water to water users, and should a consumer not pay the bills due for excess water used, payment may be demanded in advance for use during the following season, the amount to be based upon past use.

12. Requests for excess amounts shall be made three days in advance of the schedules run of water.

13. The company shall give precedence in the right to obtain water to all consumers who have used water in the past, in the estimation of the areas of land upon which they desire to pay for and receive water service.

*It is hereby further ordered that in granting permission to the Excelsior Water and Mining Company to establish the foregoing rules and regulations, it is especially understood that the approval of the Commission of these rules and regulations is based upon the conditions surrounding this application, and it is not to be considered as establishing any principle to be followed in other applications or cases.*

*It is hereby further ordered* that the above rules and regulations may be changed and amended from time to time by the Excelsior Water and Mining Company, but that the approval of this Commission must be obtained before such amendments or changes shall become effective.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of March, 1914.

---

DECISION No. 1362.

IN THE MATTER OF THE APPLICATION OF THE LOS ANGELES GAS AND ELECTRIC CORPORATION FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES GRANTED TO IT BY ORDINANCE NO. 326 OF THE CITY OF HUNTINGTON PARK.

---

Application No. 969.

*Decided March 20, 1914.*

---

Application of the Los Angeles Gas and Electric Corporation for a certificate of public convenience and necessity permitting it to construct and operate a gas distributing system within the city of Huntington Park, granted.

*Paul Overton*, for Applicant.

---

REPORT OF THE COMMISSION.

E-HLEMAN, *Commissioner*.

The applicant herein maintains a gas system in portions of the city of Huntington Park. Since the amendment of section 19 of article XI of the constitution of this State, and the decision of the Supreme Court in the *Russell* case, 163 Cal. 668, the applicant has been unable to extend its mains within the city of Huntington Park without a franchise for such extensions, and this franchise is based upon such necessity. No other utility of like character serves this municipality and it is very desirable that the applicant be permitted to extend its mains. No provision is made in the franchise for the customary 2 per cent, and subsections (a) and (d) of section 2 are plainly beyond the power of the city to prescribe, if they shall be construed as requiring the assent of the city to the transfer of the rate fixing power away from the city authorities in all cases. Under the present state of the law, of course, such is

required. The constitution, however, could be amended without the consent of the city and it could not, therefore, be urged either by the city or by the recipient of this franchise that the conditions herein referred to prevent the regulation of the applicant by that authority upon which the people had conferred such power. Representatives of the applicant contend that the provisions are inoperative and they have no disposition to make the contentions suggested.

I am of the opinion that in the respects suggested, the city has exceeded its authority, but, notwithstanding, do not consider this objection sufficient to warrant the Commission in withholding its approval, thereby preventing the applicant from making the needed extensions.

This approval, however, is not to be interpreted as an expression on the part of the Commission that it will in the future approve franchises which fail to provide for the 2 per cent to be paid to the city or county granting such franchise. Under ordinary circumstances such franchises will not meet with the approval of this Commission. But under the peculiar facts here found to exist I do not believe the application should be denied because of this fact alone.

I submit the following order:

#### ORDER.

Los Angeles Gas and Electric Corporation having applied to this Commission for a certificate that the present and future public convenience and necessity require and will require it to construct, maintain, and operate a system of gas pipes and pipe lines within the portions of the city of Huntington Park not now served by said applicant, and to exercise rights and privileges granted to it by Ordinance No. 326 of the city of Huntington Park, passed and approved on the 22d day of December, 1913, and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that public convenience and necessity require the granting of the certificate applied for, and the exercise by the applicant of the rights and privileges granted to it under Ordinance No. 326 of the city of Huntington Park; and basing this order on the foregoing findings of fact,

*It is hereby ordered* that permission be granted to the Los Angeles Gas and Electric Corporation to construct, maintain, and operate a system of gas pipes and pipe lines within the city of Huntington Park, and to exercise rights and privileges granted to it by Ordinance No. 326 of the city of Huntington Park, passed and approved on the 22d day of December, 1913.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 20th day of March, 1914.

## DECISION No. 1363.

IN THE MATTER OF THE APPLICATION OF P. T. DURFY  
FOR AN ORDER AUTHORIZING THE SALE OF A WATER  
SYSTEM.

---

Application No. 942.*Decided March 23, 1914.*

---

Application of P. T. Durfy to sell to the city of Los Angeles for the sum of \$2,500.00  
that portion of his water system known as the Sherman Water Company, granted.

*T. C. Gould, for P. T. Durfy.*

*Gurney E. Newlin, for John Hanlon.*

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner.*

This is an application by P. T. Durfy, owner of a water producing and distributing system adjacent to and in the town of Sherman, Los Angeles County, for an order authorizing the sale of a portion of the property belonging to said water system to the city of Los Angeles.

This Commission, in an order in Application No. 576, Decision No. 830, gave authority to applicant herein to sell its water system to the Sherman Water Company, a corporation.

This authorization was not acted upon, and we are now informed that no transfer of this system was made to said corporation; that said corporation is now defunct, and applicant requests that said order be annulled.

John Hanlon appeared in this proceeding by a separate application, No. 941, which application was heard with the application herein.

Both applications set forth a contract executed by P. T. Durfy and John Hanlon, dated March 17, 1913, wherein it appears that Durfy agreed to convey to Hanlon this water system for the sum of \$23,850.00, and wherein, also, Durfy agreed to convey to Hanlon a part of this water system for the sum of \$10,000.00.

This contract contains a provision for a delivery of possession of said property by Durfy to Hanlon on or before the 1st day of April, 1913, or as soon as title to land is shown clear and proper bill of sale is executed, together with permission for transfer from the Railroad Commission.

No transfer of property has been made under this contract, and no mention of this contract was made in the proceedings which resulted in the order heretofore mentioned.

We are now asked by Durfy to authorize him to sell a portion of the property connected with this water system to the city of Los Angeles, regardless of this contract, and we are asked by Hanlon to authorize the sale and conveyance of this water system by Durfy to him under the terms of said contract.

We are urged by Durfy to grant his application and to disregard this contract, on the ground that the privilege extended therein to Hanlon to purchase a part of this system would result, if exercised by Hanlon, in the water producing and distributing parts of the plant being separated in different ownerships, and that this is against public policy, and would be to the detriment of the consumers; that notwithstanding that the contract, in addition to the privilege just above mentioned, gives Hanlon the right to purchase this system as a whole, that the whole contract is vitiated by the inclusion of the first mentioned option.

Hanlon, on the other hand, admits that this water system should not be separated as contemplated by the privilege contained in this contract for the purchase by him of a portion only of this system, and urges that it is not his purpose to purchase a part of this system, but to purchase the whole thereof, and suggests that the Commission make as a condition of its order, provision for the transfer of the property as a whole.

Both parties have submitted briefs discussing this matter at considerable length, but I think both have overlooked the status of this matter before the Commission, and the functions of the Commission in relation thereto.

The Public Utilities Act provides, section 51 (a) :

“No \* \* \* water corporation (which includes persons) shall henceforth sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its railroad, street railroad, line, plant or system, necessary or useful in the performance of its duties to the public \* \* \* without having first secured from the Commission an order authorizing it so to do.”

It is apparent from the above that the action of the Railroad Commission is merely permissive. It can not order the owner of public utility property to sell the same, and it seems equally obvious that it was the intention of the legislature in this provision that the application should be made by the owner of the public utility property, because the authority must run to such owner.

I think, therefore, that the only application that should be considered here is that by Durfy, No. 942, in which request is made for authority to sell a portion of his water system to the city of Los Angeles.

I realize that this avoids any expression of opinion by the Commission as to the status of the contract which has been brought to our attention, but it seems to me that the only matter properly before us for consideration is whether the public interest would be served by the disposal of a part of Durfy's water system to the city of Los Angeles, leaving the question as to the status of the contract, above referred to, to the courts, where it belongs.

Considering then the application of Durfy to sell a part of this system to the city, it appears that the portion of the plant proposed to be sold to the city of Los Angeles may be separated from the water system without injury to the consumers, and this is emphasized by the provisions of a conveyance by Durfy to the city of Los Angeles in which the production and the conveyance of water in the system of applicant is safeguarded against interference by the city. The price to be paid by the city for this property is \$2,500.00.

I recommend that this application be granted, and submit herewith the following form of order:

**ORDER.**

Application having been made by P. T. Durfy for an order authorizing the conveyance to the city of Los Angeles of a certain portion of the water system owned by applicant and known as the Sherman Water Company, and a hearing having been duly held, and the Commission being fully apprised in the premises,

*It is hereby ordered* by the Railroad Commission of the State of California that P. T. Durfy is hereby authorized to sell and convey to the city of Los Angeles for the sum of \$2,500.00, that certain portion of the water system known as the Sherman Water Company under the terms and conditions of an indenture dated the 21st day of February, 1914, by Peter T. Durfy and Sallie L. Durfy, his wife, and the city of Los Angeles, a municipal corporation, a copy of which indenture is on file herein and reference to which is hereby made for a more particular and detailed description of the property herein authorized to be conveyed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.



## DECISION No. 1364.

IN THE MATTER OF THE APPLICATION OF HERMOSA BEACH WATER COMPANY FOR PERMISSION TO WITHDRAW FROM THE TERRITORY EMBRACED WITHIN THE LIMITS OF THE CITY OF MANHATTAN BEACH AND EL PORTO.

---

Application No. 993.

*Decided March 23, 1914.*

---

Order in application of the Hermosa Beach Water Company to withdraw from the city of Manhattan Beach held in abeyance until April 15, 1914, during which time Commission suggests that applicant and protestant, City of Manhattan Beach, attempt to reach an amicable adjustment of their difficulties, and, if such is impossible, an order will be made directing such adjustment as seems proper to this Commission.

W. J. Carr, for Applicant.

Frank C. Hill and George S. Hupp, for Protestants.

## REPORT OF THE COMMISSION.

EDGERTON and LOVELAND, *Commissioners*.

The Hermosa Beach Water Company, of Hermosa Beach, California, is a water plant or system constructed for the purpose of serving the towns of Hermosa Beach, Manhattan Beach, and territory contiguous thereto.

From the testimony adduced at the hearing of this application, and during the hearing of former applications and cases before this Commission brought by the Hermosa Beach Water Company or some of its consumers, it appears that this water system was originally started as an auxiliary to or in conjunction with the real estate transactions incidental to the sale of the land embraced in Hermosa Beach town site.

As is usual in such cases, it appears that the service rendered to the public was not satisfactory. Later, the water plant or system was sold and thereafter conducted in the name of the Hermosa Beach Water Company.

Judging from the complaints received by the Commission, the service to the public was still unsatisfactory, and to such an extent was this apparently true that the Hermosa Beach Water Company seems to have incurred the criticism, often amounting to decided ill will, of many of its consumers.

From the testimony before the Commission in this and other hearings, it is apparent that there was real ground for criticism. In Octo-

ber, 1913, the ownership of the Hermosa Beach Water Company was transferred to the present owners, who, from the time they took possession, have apparently been actuated by a sincere desire to serve the public to the best of their ability, and to put themselves in position to give good service.

The Commission regards it as an unfortunate circumstance that the present owners fell heir to the ill will which had been engendered under former ownership. The efforts of the present owners, however, to counteract this feeling seem to be appreciated by the people of Hermosa Beach, and at a hearing held at Hermosa Beach for the purpose of considering rules and regulations offered by the Hermosa Beach Water Company for the Commission's approval, it seemed apparent that the efforts of the water company to do right by its consumers would be appreciated.

We recite these facts as showing the position of the Hermosa Beach Water Company under its present ownership, in Hermosa Beach, where the major part of its installation is located.

In addition to serving Hermosa Beach, the Hermosa Beach Water Company has, for some time, been serving the city of Manhattan Beach, although it never had a franchise from county or city authorities in that municipality. Recently the city of Manhattan Beach voted bonds for the purpose of constructing a municipal water plant or system. It appears that the owners of Hermosa Beach Water Company were advised of the intention of the city of Manhattan Beach to vote bonds to install a municipal plant and that the water company interposed no objections, but, we are informed, advised the voters of Manhattan Beach that it would be to their advantage to have a municipal plant.

The testimony of witnesses for applicant in this application shows that the owners of the Hermosa Beach Water Company did this, believing that if the bonds carried and a municipal plant were constructed in Manhattan Beach, the present installation of the Hermosa Beach Water Company would be taken over by the municipal plant.

The testimony also shows that the Hermosa Beach Water Company applied to Manhattan Beach for a franchise to operate in Manhattan Beach, which application was denied.

The election in Manhattan Beach was favorable to the construction of a municipal plant, and the Hermosa Beach Water Company then took up with the board of trustees of Manhattan Beach the question of Manhattan Beach taking over the installation of the Hermosa Beach Water Company in Manhattan Beach.

The first offer of the Hermosa Beach Water Company was that three appraisers should be appointed, consisting of one representative of Hermosa Beach Water Company, one of Manhattan Beach and one disin-

terested engineer, and that the Hermosa Beach Water Company would accept whatever price these arbitrators placed upon its installation. This proposition was declined by Manhattan Beach.

The Hermosa Beach Water Company then proposed that the engineer of the Railroad Commission should place a value upon its installation in Manhattan Beach, and it would abide by that valuation. This, too, was declined.

In the mean time, certain street improvements undertaken by Manhattan Beach rendered it necessary that some of the water pipes of the Hermosa Beach Water Company in Manhattan Beach should be lowered to correspond with the new grade of the street, entailing an expense, according to the testimony of witnesses for the Hermosa Beach Water Company, of about \$1,000.00.

In view of the fact that its installation in Manhattan Beach would be practically junked or valuable only for the salvage to be obtained from it, the Hermosa Beach Water Company declined to go to this expense, and applied to this Commission to withdraw from serving the city of Manhattan Beach. The city of Manhattan Beach, through its board of trustees, intervened in protest against the granting of the application to withdraw.

A hearing was held at Manhattan Beach and the matter was thoroughly investigated. Witnesses for the Hermosa Beach Water Company testified that the value of that company's installation in Manhattan Beach was in the neighborhood of \$16,000.00; that if permitted to remove such installation now, the salvage would be in the neighborhood of \$5,000.00, but if compelled to continue serving Manhattan Beach until the municipal plant is ready to serve the consumers of that city, the possible salvage would probably be wiped out by the increased cost of removing the installation resulting from the fact that the city of Manhattan Beach is paving its streets, and by that time would have put down macadamized streets over much of the water company's installation.

Witnesses for Manhattan Beach questioned the valuation placed by the Hermosa Beach Water Company upon its installation in Manhattan Beach, but gave no figures as against that valuation or in favor of any other. Such witnesses also testified that the expense of removing and lowering the pipes incidental to street improvement, estimated by the Hermosa Beach Water Company to be \$1,000.00, was really only about \$300.00.

A difficult situation is presented to the Commission. In justice and equity, it seems wrong for Manhattan Beach to ask, and for the Commission to compel, the Hermosa Beach Water Company to stand ready, to serve Manhattan Beach with water while its installation is being

rendered valueless, or practically so, and particularly is this true when it is remembered the conciliatory attitude of the present owners of the Hermosa Beach Water Company and their apparent desire to put themselves in position to give good, efficient service.

In justice to the city of Manhattan Beach, it may be said that the trust deed under which the bonds of the city were sold contained a clause that the water system installed by the municipality must be an entirely new system, and also that, in asking the voters to vote the bonds, a similar promise had been made to them.

There is no question that if the Commission insists upon the Hermosa Beach Water Company standing by to serve Manhattan Beach until the municipal plant is ready for service, the property of the Hermosa Beach Water Company in Manhattan Beach will be rendered practically valueless.

On the other hand, the Commission can not look with favor upon the consequences of permitting the Hermosa Beach Water Company to withdraw from Manhattan Beach, thus depriving the residents of that city of water, to their great inconvenience and distress.

The Commission does not wish to be understood as declaring at this time what action will be taken, but realizes that if the situation can not be relieved by the parties to this application arriving at an amicable adjustment, it shall be compelled to render such a decision as will be warranted by the law and the facts of the case. The Commission does not believe that the situation should ever have been presented to it in the present form, and it entertains the hope that, upon receipt of this opinion, the board of trustees of Manhattan Beach and the owners of the Hermosa Beach Water Company will try to get together in a spirit of fairness, justice, and equity.

The Commission realizes its responsibility and its authority in the premises, but, while accepting such responsibility, it prefers, before exercising its authority, the results of which must be loss and annoyance to some one, to suggest such amicable adjustment as it believes will result from an unprejudiced consideration of the facts surrounding this application.

To that end, we shall make no order at this time, but will postpone such order until the fifteenth day of April, 1914, pending the attempt which it hopes the parties to this application will make to come to some agreement.

The foregoing opinion is hereby approved and ordered filed as the opinion of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

## DECISION No. 1365.

IN THE MATTER OF THE APPLICATION OF OAKDALE GAS COMPANY FOR AN ORDER PRELIMINARY TO THE ISSUE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE RIGHTS AND PRIVILEGES UNDER A FRANCHISE TO SELL AND DISTRIBUTE GAS IN STANISLAUS COUNTY.

---

Application No. 1017.

*Decided March 23, 1914.*

---

Application of the Oakdale Gas Company for a certificate of public convenience and necessity permitting it to construct and operate a gas distributing system in the town of Riverbank, and to construct a transmission main from its generator in Oakdale, will be granted when applicant has obtained a franchise meeting the requirements of this Commission.

*J. R. Anderson*, for Applicant.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

Oakdale Gas Company operates in the city of Oakdale, Stanislaus County, where it generates and distributes gas. It now proposes to construct a high pressure transmission line seven miles west to the uninhabited town of Riverbank, and to distribute and sell gas to the inhabitants of Riverbank and vicinity. The corporation has applied to the board of supervisors of Stanislaus County for a franchise. This franchise will be offered for sale in April of this year.

Oakdale Gas Company now makes application to this Commission for an order preliminary to the issue of a certificate of public convenience and necessity. The Commission is asked to declare that it will hereafter, upon application, grant a certificate of public convenience and necessity to Oakdale Gas Company to construct a transmission line from Oakdale to Riverbank, a distributing system in Riverbank, and to distribute and sell gas in the territory to be covered by this distributing system.

The Riverbank Water Company, now operating in Riverbank, may, under the terms of its franchise, sell gas as well as water, and it has filed a letter with the Commission stating that it will not oppose the application of Oakdale Gas Company, but will surrender such rights as it may possess for the distribution and sale of gas in favor of Oakdale Gas Company.

A copy of the proposed franchise under which Oakdale Gas Company plans to operate has been filed with this Commission. It grants the

right to carry and distribute gas for cooking, lighting, heat and power purposes for a period of fifty (50) years, as follows:

“In the public highways, thoroughfares, streets and alleys in all of sections 12, 13, 16, 17, 19, 20, 21, 29, 30, 31, and 32, and the north one half of section 28, and all that portion of sections 18, 8, 9, and 1 south of the Stanislaus River, and all that portion of sections 10 and 11 south of the Stanislaus River and outside of the city of Oakdale, and all of sections 14 and 15 outside of the city of Oakdale in township 2 south, range 10 east, Mount Diablo base and meridian, and sections 25, 26, 27, 34, 35, and 36, and all of that portion of sections 22, 23, and 24, south of the Stanislaus River in township 2 south, range 9 east, Mount Diablo base and meridian of the said county of Stanislaus, including the public streets, alleys, and thoroughfares of the town of Riverbank in said above set forth district.”

The proposed franchise provides for the payment by the Oakdale Gas Company of two (2) per cent of gross receipts to Stanislaus County.

The proposed franchise provides further that the maximum price to be charged for gas shall be \$1.50 net per thousand cubic feet, if paid within ten days from the date upon which the monthly bills are rendered, or \$1.75 per thousand cubic feet for any default in payment after the expiration of said ten days; with a minimum charge of \$1.00 per month.

The State has conferred upon the Railroad Commission the power to fix rates in the unincorporated territory of this State, and such authority may therefore not be assumed by county authorities. The Commission is not disposed to grant a certificate of public convenience and necessity unless this feature of the franchise be eliminated or nullified by proper stipulation.

The proposed franchise also allows Oakdale Gas Company three (3) years within which to complete the installation of the gas system. This period appears somewhat longer than is necessary.

I desire at this time merely to call attention to those features of the franchise which must be either amended or modified by stipulation before the Commission can issue a certificate of public convenience and necessity.

The application under consideration at this time, however, is for a preliminary order to the effect that a certificate of public convenience and necessity will be granted at a later time upon such conditions as the Commission may then determine.

The applicant has established a plant in Oakdale capable of supplying not only the inhabitants of that city but of the surrounding territory. Riverbank is without gas service. It is a new and growing town.

The Atchison, Topeka and Santa Fe shops are located at this point, and the surrounding agricultural country is included in an irrigation project. The promise is for a rapid and continued growth in popu-

lation. I therefore recommend that the application be granted, and submit the following form of order:

**ORDER.**

Oakdale Gas Company having applied to this Commission for an order preliminary to the issue of a certificate of public convenience and necessity to construct a gas transmission line and distribution system as described in the foregoing opinion, and a hearing having been held, and it appearing that public convenience and necessity will require the construction and operation of a gas transmission line from Oakdale to Riverbank and the construction of a distribution system in Riverbank, and the sale of gas along said transmission line and said distribution system,

*It is hereby ordered* that this Commission will hereafter, upon proper application and adequate showing, issue a certificate of public convenience and necessity upon such terms and conditions as it may find necessary, to Oakdale Gas Company to construct a gas transmission line from Oakdale to Riverbank, and a distribution system in Riverbank, as described in the foregoing opinion, and to sell gas along said transmission line and said distribution system after said Oakdale Gas Company shall have secured from the supervisors of Stanislaus County a franchise which shall be satisfactory to this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, the 23d day of March, 1914.

---

DECISION No. 1366.

IN THE MATTER OF THE APPLICATION OF JOHN HANLON  
FOR AN ORDER AUTHORIZING THE SALE OF A WATER  
SYSTEM.

---

Application No. 941.

*Decided March 23, 1914.*

---

*T. C. Gould*, for P. T. Durfy.

*Gurney E. Newlin*, for John Hanlon.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by John Hanlon for an order authorizing P. T. Durfy to sell and convey to said John Hanlon a water system known as the Sherman Water Company.

All of the matters involved in this application have been considered in Application No. 942, an order in which has this day been made, and I recommend, therefore, that this application be dismissed.

**ORDER.**

Application having been made by John Hanlon for an order authorizing P. T. Durfy to sell to said John Hanlon that certain water system known as the Sherman Water Company, and a public hearing having been duly held and it appearing to the Commission that this application should be dismissed,

*It is hereby ordered* by the Railroad Commission of the State of California that this application be and the same hereby is dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

---

DECISION No. 1367.

IN THE MATTER OF THE APPLICATION OF CRESENT CITY RAILWAY COMPANY TO SELL AND OF WM. G. HENSHAW TO PURCHASE A CERTAIN FRANCHISE HERETOFORE GRANTED BY THE CITY OF RIALTO, SAN BERNARDINO COUNTY, CALIFORNIA, TO SAID CRESENT CITY RAILWAY COMPANY TO CONSTRUCT AND OPERATE AN ELECTRICAL RAILWAY.

---

Application No. 1010.

*Decided March 23, 1914.*

---

Application of the Cresent City Railway Company to transfer to Wm. G. Henshaw certain franchise rights granted by the city of Rialto to said railway company, granted.

*H. L. Carnahan*, for Applicant.

**REPORT OF THE COMMISSION.**

LOVELAND, *Commissioner*.

Applicant, the Cresent City Railway Company, is a corporation organized and existing under the laws of the State of California. Herefore, before the effective date of the Public Utilities Act, applicant



procured from the city of Riverside, California, a franchise for the construction and operation of a railroad in said city of Riverside, California.

Said road was built and operated under said franchise and on the 13th day of April, 1910, the Crescent City Railway Company transferred all of said railroad and its appurtenances to Wm. G. Henshaw. Thereafter, to wit, on the 8th day of October, 1912, applicant procured from the city of Rialto, San Bernardino County, California, a franchise to construct and operate certain extensions of said Crescent City Railway Company along, over and upon certain streets in said city of Rialto, and along a certain route, all of which is described in said franchise and to which reference is hereby made.

While said railway is being built and operated under the name of the Crescent City Railway Company, all of the stock of that company is owned by Wm. G. Henshaw, who financed the construction and operation thereof.

In this application, as recited above, the Crescent City Railway Company asks to assign and transfer and Wm. G. Henshaw asks permission to take over the franchise granted to the Crescent City Railway Company by the city of Rialto, as herein above described.

In Application No. 1011, made by the same parties and heard coincidentally with this application, permission was granted to Wm. G. Henshaw to exercise the rights granted by the franchise above referred to, and I find as a fact that public convenience and necessity require and will require the granting of this application, whereby the franchise granted to the Crescent City Railway Company will be assigned and transferred to Wm. G. Henshaw.

The testimony in both of these applications shows that added facilities will be given to the public for traveling and for the transportation of freight, and that the road will be built through sections not now supplied with railroad facilities.

I recommend the following order:

**ORDER.**

Whereas the Crescent City Railway Company has asked permission to assign and transfer certain franchise rights granted by the city of Rialto to said Crescent City Railway on the 8th day of October, 1912, to Wm. G. Henshaw, and Wm. G. Henshaw has asked permission to take over such franchise, and the Commission having found that public convenience and necessity require and will require that the Crescent City Railway Company be granted permission to sell and assign such franchise to Wm. G. Henshaw, and Wm. G. Henshaw to take over such franchise,

*It is hereby ordered* that the Crescent City Railway Company be and it is hereby granted permission to sell and assign a certain franchise and all rights therein granted by the city of Rialto on the 8th day of October, 1912, to Wm. G. Henshaw.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

---

DECISION No. 1368.

IN THE MATTER OF THE APPLICATION OF WM. G. HENSHAW TO EXERCISE RIGHTS AND PRIVILEGES HERETOFORE GRANTED BY THE CITY OF RIALTO, SAN BERNARDINO COUNTY, CALIFORNIA, TO THE CRESCENT CITY RAILWAY COMPANY TO COMPLETE CONSTRUCTION AND OPERATE AN ELECTRIC RAILWAY.

-----  
Application No. 1011.

*Decided March 23, 1914.*  
-----

Applicant granted a certificate of public convenience and necessity permitting him to construct and operate a line of railway in accordance with a franchise granted by the city of Rialto.

*H. L. Carnahan, for Applicant.*

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This application is brought under the provisions of section 50(a) of the Public Utilities Act.

The application shows that applicant is a railroad corporation organized and existing under and by virtue of the laws of the State of California, and incorporated for the purpose of building and operating a line of railroad from a point in the city of Riverside, county of Riverside, State of California, to the cement plant of the Riverside Portland Cement Company near Crestmore, California, and thence in a westerly direction towards the city of Los Angeles in said State; that under proper franchises from the city of Riverside, granted previous to the effective date of the Public Utilities Act, applicant constructed and

operated such line of railroad from the city of Riverside along the course indicated in said franchise to the unincorporated village of Bloomington, in San Bernardino County, California; that thereafter, on the 13th day of April, 1910, applicant transferred all said railroad and its appurtenances to Wm. G. Henshaw, who has since been and now is sole and exclusive owner thereof, although the road has continued to be operated under the name of the Crescent City Railway Company; that in 1912, applicant applied to the city of Rialto, a municipal corporation, in the county of San Bernardino, California, for a franchise to construct, operate and maintain a single or double track, street or interurban railroad, in whole or in part for the period of fifty years over and along a certain route, and over, along, upon and across certain streets or portions of certain streets in the city of Rialto, described in the application for said franchise and upon the conditions therein recited; that said ordinance was passed granting said franchise on the 8th day of October, 1912, by said city of Rialto, and reference is hereby made to said ordinance for such further necessary description of route and conditions of said ordinance, copy of said ordinance being attached to the application herein; that all conditions necessary to the life of said franchise were complied with and that said franchise is now in full force and effect; that under said franchise, the Crescent City Railway Company has been extended from its terminus aforesaid in Bloomington northeasterly to a point where a public street or highway designated in said franchise as "Bloomington Road" intersects the southerly boundary line of said city of Rialto, and said extension is now substantially completed; that farther extension under said franchise is contemplated, the construction of which will be diligently prosecuted; that Wm. G. Henshaw owns all of the stock of the Crescent City Railway Company and has financed its building, extensions and operation; that the value of said railroad, constructed under the above named franchise, is stated to be approximately \$525,000.00; that said Wm. G. Henshaw is possessed of large means and amply able to construct and operate said railway.

Wm. G. Henshaw, therefore, asks permission to exercise the rights granted to the Crescent City Railway Company by the said city of Rialto under the franchise heretofore referred to, said franchise having been transferred to him as above set forth.

The testimony at the hearing showed that the completion and operation of the Crescent City Railway Company, as set forth in the franchise, would be a matter of great convenience to the people living along said road, both in the matter of passenger and freight transportation. Wit-

nesses testified that practically all of the residents of the section along the road were anxious to have this application granted.

I find as a fact that public convenience and necessity require, and will require, the granting of this application to Wm. G. Henshaw to exercise the franchise rights heretofore granted to the Crescent City Railway Company by the city of Rialto and transferred by the Crescent City Railway Company to Wm. G. Henshaw, as above set forth.

I recommend the following order:

**ORDER.**

Whereas Crescent City Railway Company has heretofore procured from the city of Rialto, San Bernardino County, California, a franchise to construct and operate an electrical railroad over a route and upon conditions set forth in an ordinance duly passed by the board of trustees of said city of Rialto on October 8, 1912; and,

Whereas the property of the Crescent City Railway Company and its appurtenances have been assigned and transferred by the Crescent City Railway Company to Wm. G. Henshaw, and Wm. G. Henshaw now asks to be permitted to exercise the rights granted under said franchise, as above set forth; and,

Whereas the Commission finds that public convenience and necessity require, and will require, that permission be granted to Wm. G. Henshaw to exercise said franchise rights;

*It is hereby ordered* that said Wm. G. Henshaw, operating an electrical railway in the territory above described under the name of the Crescent City Railway Company, be and he is hereby granted permission to exercise the rights and privileges granted by the city of Rialto in an ordinance adopted on October 8, 1912, to the Crescent City Railway Company, and thereafter transferred by that company to said Wm. G. Henshaw.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

## DECISION No. 1369.

IN THE MATTER OF THE APPLICATION OF COLEY-CRAIG COMPANY AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY FOR PERMISSION, THE ONE TO SELL AND WITHDRAW FROM, AND THE OTHER TO PURCHASE AND REENTER CERTAIN TERRITORY IN AND ADJACENT TO RIVERBANK, STANISLAUS COUNTY, CALIFORNIA.

---

Application No. 999.

*Decided March 23, 1914.*

---

Application of the Coley-Craig Company and The Pacific Telephone and Telegraph Company, the former to sell and the latter to buy a certain telephone system, located in and adjacent to the town of Riverbank, for the sum of \$1,300.00, granted.

*A. St. John*, for Coley-Craig Company.

*James T. Shaw and Maynard Bailey*, for The Pacific Telephone and Telegraph Company.

## REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

The Coley-Craig Company, a company engaged principally in the business of buying and selling real estate, has for a number of years owned and operated a telephone system in portions of San Joaquin and Stanislaus counties, California, with exchanges at Escalon, in San Joaquin County, and Riverbank, in Stanislaus County. This telephone system is connected with the system of The Pacific Telephone and Telegraph Company at Escalon for toll service to outside points.

Riverbank has been made a division point on the Atchison, Topeka and Santa Fe Railway Company's system and is located in the midst of a fertile and prosperous agricultural district. The town has developed rapidly within recent years, and since the Coley-Craig Company's interests are largely centered in Escalon, it has not been in a position to consistently meet the increased demand for telephone service at Riverbank, which has been brought about by the growth of that locality. The citizens of Riverbank have, therefore, asked The Pacific Telephone and Telegraph Company to assume the responsibility of providing the necessary telephone service. This is agreeable both to The Pacific Telephone and Telegraph Company and to the Coley-Craig Company, and negotiations are now pending between the two companies subject to approval by the Commission for the sale of the exchange at Riverbank to The Pacific Telephone and Telegraph

Company. The application herein is for permission to complete these negotiations.

The sale to The Pacific Telephone and Telegraph Company is for a consideration of \$1,300.00, involving the transfer of telephone lines and equipment as set forth in a conveyance which is made a part of this application. It involves also the withdrawal of the Coley-Craig Company, as owners of this public utility, from the town of Riverbank and certain surrounding territory, which is specifically described and set forth in Exhibit "C" attached to the application, and the entrance and operation by The Pacific Telephone and Telegraph Company in the same territory.

The Coley-Craig Company now allows all of its subscribers free switching between Escalon and Riverbank, and charges the following rates for exchange service:

One-party, business or residence.....	\$2 50 per month.
Two-party, business or residence.....	2 00 per month.
Four-party, business or residence.....	1 50 per month.
Rural telephones .....	75 per month.
Extensions outside of premises.....	1 00 per month.
Extensions inside of premises.....	50 per month.

The Pacific Telephone and Telegraph Company, if allowed to purchase and operate this exchange, desires to charge a toll rate of 10 cents for two minutes, 5 cents for each additional minute, for switching between Escalon and Riverbank, and rates for toll service between Riverbank and other points in accordance with its toll rate schedule now in effect and on file with this Commission. For exchange service, it desires to charge rates contained in its Exhibit "B" attached to this application, which shows the following:

BUSINESS SERVICE.

	Wall set	Desk set
One-party .....	\$2 50	\$2 75
Two-party .....	2 00	2 25
Four-party .....	1 50	1 75
Extensions .....	1 00	1 00

RESIDENCE SERVICE.

	Wall set	Desk set
Individual line .....	\$2 00	\$2 25
Two-party .....	1 75	2 00
Four-party .....	1 50	1 75
Extensions .....	1 00	1 00

Farmer line service, \$3.00 per year.

Thus it will be seen that if this application is granted by the Commission a toll charge will be imposed for conversations between Escalon and Riverbank, which are now permitted between subscribers of these two exchanges without charge. A comparison of the two schedules of rates for exchange service also shows that the rates which The Pacific Telephone and Telegraph Company desire to charge, will, if the application is granted, result in increasing the present rates in some instances, in lowering them in others, and in some instances the rates under either schedule will be the same. For business telephones there will be no change in the present rates for subscribers having wall sets. Subscribers having desk sets instead of wall type would pay an increase of 25 cents per month under The Pacific Telephone and Telegraph Company's schedule. For residence telephones, wall set equipment, under The Pacific Telephone and Telegraph Company's schedule, the one-party rate is reduced 50 cents per month, the two-party rate is reduced 25 cents per month, and the four-party rate remains unchanged. Where desk set equipment is desired, the one-party rate is reduced 25 cents per month, the two-party rate remains unchanged, and the four-party rate is increased 25 cents per month. For farmer line service the rate is reduced 50 cents per month.

With reference to exacting a toll charge for messages between Riverbank and Escalon, it is my opinion that, as a general proposition, too extensive free inter-exchange service should not be encouraged, although there may be instances in which unusual or exceptional conditions exist, such as, a large community interest between different localities which may warrant unlimited inter-exchange switching without any charge other than the charge contemplated in the subscriber's monthly rate. In the present instance no such condition appears to exist, and, in any event, there is no apparent reason why switching between exchanges owned and operated by two different companies should be allowed without the payment of toll charges.

Referring now to the proposed changes in rates for exchange service: It is to be noted that The Pacific Telephone and Telegraph Company's proposed schedule provides a considerable proportion of rate reductions, and except for extension telephones the only increases provided are for the use of desk sets, and not all of the rates for this type of equipment will be increased. It was shown at the hearing held in this application that there are only three of the present subscribers whose rates would be increased 25 cents per month each by the adoption of the proposed schedule. The Pacific Telephone and Telegraph Company has declared that if this application is granted, it will hold itself responsible for the adjustment of any reasonable complaints which may be entered as a result of the application of this proposed schedule for exchange service. The board of trade of Riverbank has given its

endorsement to the proposed sale, and no adequate objection to granting the application was presented.

In view of the foregoing, and particularly in view of the fact that the increasing demand for telephone service at Riverbank will be more adequately provided for under the proposed change, I am of the opinion that the public necessity and convenience will be subserved by the granting of this application, and I shall recommend accordingly.

#### ORDER.

Application having been made to this Commission by the Coley-Craig Company and The Pacific Telephone and Telegraph Company for permission, the one to sell and withdraw from, and the other to purchase and re-enter certain territory in and adjacent to Riverbank, Stanislaus County, California, as is more particularly described in applicant's Exhibit "C," which is attached to and made a part of this application; and to publish, file and put into effect rates for exchange and for long distance telephone toll service, as set forth in its Exhibits "A" and "B," attached to and made a part of this application; and a public hearing having been held thereon, and no adequate objection appearing; and it appearing to the Commission that the public necessity and convenience will be subserved by the granting of this application.

*It is hereby ordered* that the application of the Coley-Craig Company and The Pacific Telephone and Telegraph Company for permission, the one to sell that certain telephone system and property more particularly described in a conveyance marked Exhibit "D," attached to and made a part of this application, and to withdraw from certain territory in Riverbank and adjacent territory as more particularly described in that certain Exhibit "C," attached to and made a part of this application, and the other to purchase the said same telephone system and property for a consideration of \$1,300.00, to be paid by the said The Pacific Telephone and Telegraph Company to the said Coley-Craig Company, and to re-enter the said same territory operating a telephone system as a public utility, and to publish, file and put into effect rates for exchange and long distance telephone toll service in accordance with its schedules marked Exhibits "A" and "B," attached to and made a part of this application, be and the same hereby is granted; provided that the price named for the consideration of this sale is not to be taken by this Commission or other duly constituted authority as a proper valuation for rate making or other purposes; and provided, further, that, as to rates for exchange service, this permission is not to be taken as approval of the rates, since the Commission has not yet passed upon their ultimate reasonableness; and provided, further, that, as to rates for long distance telephone toll service, the rates herein provided for shall be subject to such modification as may be provided



for in this Commission's Decision No. 1082, in Application No. 2, and Case No. 407, which decision in so far as applicable is made a part of this order.

This order to be and become effective within thirty days from the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

---

DECISION No. 1370.

IN THE MATTER OF THE APPLICATION OF THE CITY COUNCIL OF THE CITY OF EUREKA FOR THE RAILROAD COMMISSION TO FIX THE COMPENSATION TO BE PAID FOR WATER SYSTEM, SERVING THE CITY OF EUREKA, OWNED BY THE EUREKA WATER COMPANY.

---

Application No. 843.

*Decided March 23, 1914.*

---

*Held*, That the just compensation to be paid by the city of Eureka for the rights and property of the Eureka Water Company is the sum of \$270,000.00, which includes the property, all equipment and materials used or useful in the conduct of its water utility business.

*Held*, After full discussion of the market value theory in condemnation proceedings, this theory may properly be followed in this case if the utility property is regarded as an entity and not divided into all its separate elements.

*Held*, That though the question of placing a value upon water rights is not a question in the present case, owing to previous agreement, in the final determination of this question, the Commission will not consider "the additional cost of the next available source theory."

*P. H. Ryan*, city attorney, and *W. B. Clark*, mayor, for Applicant.  
*L. F. Puter*, for Eureka Water Company.

REPORT OF THE COMMISSION.

*ESHLEMAN*, *Commissioner*.

This is the first case to arise, under the amendment to the Public Utilities Act empowering this Commission to fix, on application of certain named governmental agencies, the compensation to be paid by such agencies for all, or any designated portion, of the property of a public

utility. The portions of the act, which are especially important to consider in this case, are as follows:

“Any county, city and county, incorporated city or town or municipal water district may at any time file with the commission a petition setting forth the intention of said county, city and county, incorporated city or town or municipal water district to acquire under eminent domain proceedings, or otherwise, any existing public utility, and the lands, property and rights of any character whatsoever connected with such existing public utility, or any part or portion thereof. Said petition shall give a full and complete description of said public utility, lands, property and rights, or the parts or portions thereof it is so intended to acquire, and may pray that the commission fix and determine the just compensation which shall be paid by such county, city and county, incorporated city or town, or municipal water district, under the law, for said public utility and said lands, property and rights thereof, or the parts or portions thereof sought to be acquired. Or the legislative or other governing body of any such county, city and county, incorporated city or town, or municipal water district may file with the commission a petition setting forth its intention to initiate such proceedings as may be required under the law governing such county, city and county, incorporated city or town or municipal water district, for the purpose of submitting to the voters of said county, city and county, incorporated city or town, or municipal water district a proposition to acquire under eminent domain proceedings, or otherwise, any existing public utility and the lands, property and rights of any character whatsoever connected with such existing public utility, or any parts or portions thereof. Such petition shall give a full and complete description of the said public utility, lands, property, rights, or the parts or portions thereof concerning which it is so intended to initiate said proceedings as above described. Upon either of such petitions being filed, the commission shall proceed to fix and determine the just compensation that should be paid to the owner of such public utility and the lands, property and rights thereof, or any such parts or portions thereof, in the manner and in accordance with the provisions of section 70 of this act. In the case of the petition first above described, within sixty days after the commission shall have certified, in accordance with section 70, its findings as to the just compensation that should be so paid for such existing public utility and the lands, property and rights thereof, or any such parts or portions thereof, the said county, city and county, incorporated city or town or municipal water district must commence an action in a court of competent jurisdiction and in a manner in accordance with the provisions of law, to take under eminent domain proceedings said existing public utility and the lands, property and rights thereof or any such parts or portions thereof, the value of which has been so fixed and determined as herein provided, unless the owner of such existing public utility and the lands, property and rights thereof, or any such parts or portions thereof, shall file a written stipulation consenting and agreeing to accept the compensation so fixed by the commission to be paid by the said county,

city and county, incorporated city or town, or municipal water district for the taking of said existing public utility and the lands, property and rights thereof, or any such parts or portions thereof.

\* \* \* In such action the compensation fixed by the commission to be paid for such existing public utility and the lands, property and rights thereof, or any such parts or portions thereof, shall be deemed final and conclusive between the parties; and the court in which the action is pending, if it shall first decide that such county, city and county, incorporated city or town, or municipal water district has the right and power under the law to take the said existing public utility and the lands, property and rights thereof, or such parts or portions thereof, whose value has been so fixed as herein provided for, shall enter a decree in favor of the said county, city and county, incorporated city or town, or municipal water district, as provided by law, fixing the amount that shall be paid as the just compensation for the taking of such existing public utility and the lands, property and rights thereof, or any parts or portions thereof, as the amount fixed and determined by the commission. The judgment shall include a provision, in substance, that said judgment is subject to modification on account of any unreasonable depreciation or deterioration in value of the property taken, or on account of any loss which might be suffered by the owner of said public utility through his being required to properly take care of said property, as is hereinafter more fully provided for."

From a consideration of the statute here involved, it appears that the applicant must specify the property, whether it is all of the property of the public utility involved or a part thereof, which it desires to acquire, and this Commission has no authority to determine whether the power exists on the part of such applicant to acquire the property so specified. That power is specially reserved to the Superior Court when the actual condemnation is sought to be made and findings of this Commission are filed. It would then seem to follow that this Commission can not exclude any of the property listed or add to it: its sole power being to fix compensation to be paid to the utility for the property sought to be acquired.

In the present case, however, there is no conflict as to the actual property which is sought to be acquired, but it is well to call attention to the fact that a proceeding like this is strictly an adverse proceeding, wherein it is sought to have the value fixed upon property of a public utility, which value thereafter shall be used by the courts in measuring the amount to be paid to the utility for its property taken under eminent domain proceedings. It appears, then, if the Commission is limited, as I have suggested, to fixing value upon the items set out in the application, that any value fixed upon other items or the exclusion of items set out in the application might be cause for the court to set aside the findings of the Commission. And, furthermore, under the wording of the act, it would appear that even when strictly fol-

lowing the application by placing values on those items alone set out in said application, if thereafter there are found items of property therein not necessary to the public use, and the Superior Court finding that the applicant has not the right or power to take any of the items set out in the application, said court will be required to reject the entire valuation. Because, if this is not the case, the court would have the power to divide the property and exclude a portion as not necessary and fix the value on the remaining portion. Inasmuch as the court has no power to fix value upon any portion of the property, the Commission's power is limited strictly to the fixing of such value. In my opinion, the exclusion by the court of any item upon which a value has been placed by the Commission will be cause for the rejection of the entire valuation.

The writ of review, provided for in this section, gives the Supreme Court the power to refer the valuation back to the Commission so that it may correct its findings in the manner therein specified. But under the Public Utilities Act, as now construed by the Supreme Court in the *Pacific Telephone and Telegraph* case, 46 Cal. Dec. 551, the proceeding in certiorari here provided for would certainly not give the Supreme Court the power, in reviewing the action of this Commission, to pass upon the right of the municipality or other governmental agency to take the property, since that is a matter upon which the Commission has no power to rule. For it would readily appear that if the Commission followed the authority given it by statute, and fixed the value upon property presented to it in the application of the municipality or other governmental agency, it could not be said that it had exceeded its authority if it appeared that included within such items of property were items of property which the municipality had not the power to take. Therefore, it would appear that a determination of the power of the municipality or governmental agency to take the property involved can only be tested when the condemnation suit is tried in the Superior Court; and the Supreme Court in a writ of certiorari would be limited to determining whether or not the Commission had pursued its lawful authority in other respects.

I refer to these matters because I believe it is desirable for municipalities, and other public authorities, to have in mind the limitation of a proceeding such as this, and to know that this Commission, in future proceedings, will neither add to the items of property presented nor exclude any of such items, but will feel called upon merely to fix the value upon those items specifically set out in the application.

This is, in effect, as has already been said, a condemnation proceeding and the rule applicable to such proceeding should be followed. The Supreme Court of the State has uniformly held that in condemnation proceedings of all sorts, market value is the main element to be

considered (*Southern Pacific Railroad Co. vs. San Francisco Savings Union*, 146 Cal. 291; *Kishlar vs. Southern Pacific Railroad Co.*, 134 Cal. 636; *Santa Ana vs. Harlan*, 99 Cal. 538; *San Diego Land & Town Co. vs. Neal*, 88 Cal. 50). In all of these cases, however, the court was concerned with values fixed upon portions of property, mainly real estate. It is very evident that in a public utility property consisting of many kinds of property, the adoption of the market value theory as the sole criterion will present many serious difficulties. To begin with, viewed as a whole, the market value of a public utility can not be considered in fixing rates. This has often been discussed by this Commission, and it has been held by the Supreme Court of the United States in the *Minnesota Rates Cases* that this is the proper rule. It is very evident that the market value is primarily determined, or at least largely affected by the earning power of the property in question. The earning power is determined by the rates, and, of course, to say that such earning power fixes the value of the property in a rate fixing inquiry is reasoning in a circle.

If we view the separate portions of the property in their disassociated condition and do not have in mind their condition as a part of the whole, we may arrive at a value for the entire property which is less than or greater than the proper value to be fixed. This will result whether we apply the market value to the several elements or any other value. In contemplating the market value, however, the impropriety of valuing various elements separately is made very manifest. Some of the elements, if sold separately, might return more than if sold in conjunction with the entire property. Market value, while being fixed essentially by the earning power of the property sold, is also largely affected by the demand and the number of buyers desiring to acquire such property. Many buyers might be at hand to purchase a desirable piece of real estate, for example, not one of whom would be willing to purchase the entire utility property including such real estate. Many of them might also be willing to purchase such property if they might use it for agricultural or residence purposes who would not be willing at all to purchase it if required to devote the property to public utility purposes. The necessity of the property being used for a certain purpose, and the inability of the owner to make other use of it, unquestionably affects the market value of such property. Lands that produce oranges sell in the market at a much higher rate than lands upon which only grain can be raised. Here the physical necessity fixes the market price in one case at a less figure than in the other. But the effect would be no different if instead of physical necessity legal necessity required only grain to be raised on a given piece of land. It seems to be clear that the necessity of devoting property to any one exclusive use affects

its market value, and is, as to such property, in the nature of a servitude.

It is quite evident that the courts had in mind that if the agency who was seeking to condemn the property had to purchase it at the time of the condemnation, such agency would be required to pay what similar land would bring in the market, and I quite readily agree that fairness, as well as sound economic principles, requires the application of such rule in a case where the public utility, for example, is securing property from an owner who may devote such property to any purpose such owner sees fit. But after ownership has been transferred to the utility, while I admit that the price paid for such property should have large weight in determining its value in the hands of the public utility, yet I do insist that immediately upon such property being acquired and devoted to the public use the disability hereinbefore discussed attaches, and that the same rules which we would be required to apply to such property in the hands of a private owner empowered to use such property in any way such owner should desire, become inapplicable to such property during all of its history from the time of its acquisition until it passes out from the ownership of the public utility to some other owner who is not restricted in the use to which he may place it.

The courts, as I have said, in the condemnation cases cited, had in mind a condition of ownership which permitted the agency sought to be divested to devote its property to any use which was deemed proper, including the highest use for which such property was suitable. But after the property goes into the hands of a public utility it is not possible to indulge such a theory with reference to it, because the legal necessity has here affected the increase or decrease of such value just the same as the physical necessity which requires lands to be used in a more or less unprofitable manner fixes the value of the property so affected.

Considering the separate items of a public utility property independent from the relationship which binds them together in the serving public utility, and having in mind the principles to which we have just referred, it is easily seen that it is impossible to conceive a small portion of real estate, for example, owned by a water company and required to be used by such water company in a particular way, having value for water company purposes independent of the relationship in which it is held. I, therefore, come to the conclusion that the necessity of devoting the property to any one exclusive use fixes its market value both with reference to the entire property and with reference to its separate items, and it is impossible to determine that the fair value of an entire utility property is the sum of the market values which the elements would have if considered alone, independent of their relationship to all of the other items of property going to make up the whole,

except as such separate market values may give some indication of the probable cost of such elements to the utility agency now owning them, if such utility agency were required to acquire them separately and then assemble them into the property sought to be acquired. In short, if, as a matter of history, it be found that the elements going to make up the public utility property, in the aggregate, cost a certain amount to the utility, fairness unquestionably requires that the value of the entire property in the hands of the utility, for the purposes of sale or rates alike, be at least the sum of the various cost prices required to be paid for the separate elements. But such a conclusion, induced by considerations of fairness, should not for the moment cause us to decide that the aggregate amount which should be required to be paid to purchase the same elements now at the prevailing market prices, if such elements were held by owners with the power to devote them to any uses desired, determines the value of the utility property now.

I shall assume, therefore, that the decisions of the courts in this and other states, to the effect that market value is the main element to be considered in determining the price to be paid for property sought to be condemned, contemplated the entire property sought to be condemned and not specified portions considered apart from the relationship and the restrictions which the law forced upon them; and on such theory I shall give whatever effect it seems to me to be proper to the market value theory of valuation as applied to the entire property here under consideration.

In considering the market value of a property the earning power of the property is always a legitimate inquiry, which, of course, as has already been said, is not true in a valuation for rate fixing purposes. In order to determine what this company has earned and is now earning, it will be necessary to go somewhat into its history, and the Commission is justified in assuming, in an inquiry such as this, that the rates legally charged by a utility under governmental sanction are the proper rates and that the earning under such legal rates, at the time the property is sought to be acquired, are legitimate earnings. This assumption, however, can not be accepted without some modifications. It will readily appear that if a value is fixed for sale purposes on said grounds alone, and thereafter the property is sold to a new public utility owner, a rate fixing body would in conscience be required to consider the amount paid by the then owner in fixing the rates therefor. In the present case this difficulty is not so great because the purchaser is a municipality, and the rates upon which the value would be fixed are rates that have been determined by the municipality itself, and if they are too high such municipality is responsible. And besides, after such purchase the municipality, even though initially paying what might be an excessive price if the rates by which such value is determined have

been too high, would have the power to accord proper treatment to its citizens, as patrons, independent of the initial purchase price of the utility.

This difficulty here discussed will be found to be more apparent than real if we consider a second element involved in the earning power of a utility, which very largely affects its value in the market. I refer to the permanency of the present condition of the agency in question. Any wide-awake purchaser would not take the earning of a utility or other property for a year or any number of years in the past as solely determining the market value of such property. One might have an oil company, for instance, which had made a tremendous earning in the past, but, if on investigation, the fact developed that the field of the operation of such oil company was about to play out, the market value, of course, would immediately become impaired. Likewise, any wise purchaser of a public utility property would unquestionably investigate the condition of the property with a view to determine whether under the rules of law applicable to the fixing of rates by governmental authority there was likelihood that the present scale of rates would be maintained; and if it were found that such rates, although the legal rates at present, were likely to be cut down if governmental authority followed the rules laid down for fixing such rates, then unquestionably the market value of such utility would be in so much impaired. In short, the permanency of the present earning power, either of a utility or any other property, largely affects its market value.

This company was incorporated on the 22d day of June, 1902, with an authorized capital of \$500,000.00, in shares of \$500.00 each, and was formed to purchase the property and plant of the Ricks Water Company. The record shows that \$135,000.00 was paid by this company to its predecessor, although it is contended that \$166,758.48 was the amount the property had cost the Ricks Company up to that time. We may assume, however, that the \$135,000.00 paid by the Eureka Water Company to its predecessor for this property was the correct amount. Since that time, the books show that there has been expended on the property itself \$153,811.96, making a total book cost of \$288,811.96. In this amount, however, no deduction has been made for depreciation. The earnings and expenses of this company have been as follows:

1908: Earnings, \$52,410.19; expenses, \$20,849.19; leaving a net earning before charging depreciation, of \$31,560.00.

1909: Earnings, \$50,912.75; expenses, \$20,804.48; profit before charging depreciation, \$30,108.27.

1910: Earnings, \$51,591.75; expenses, \$20,818.03; profit before charging depreciation, \$30,775.72.

1911: Earnings, \$51,308.94; expenses, \$21,627.32; profit before charging depreciation, \$29,681.62.



1912: Earnings, \$55,778.86; expenses, \$24,324.78; profit before charging depreciation, \$31,454.08.

1913: Earnings, \$52,980.24; expenses, \$23,642.67; profit before charging depreciation, \$29,337.57.

Under expenses for each of these years, there is an item of \$5,000.00 for the president's salary, and it is urged that this is merely a profit, the president owning the company and not performing services commensurate with this amount. The average earnings then appear to be about \$30,000.00, even if the president's salary is included as an expense. If depreciation is deducted at  $2\frac{1}{2}$  per cent on \$288,811.96, the book cost of the property, the average net profit will be \$22,780.00, which is eight per cent on \$284,750.00. If the present earning power alone was to be considered in determining value, this amount probably would quite nearly approximate what should be fixed as the value of this property for the purposes of sale; but, as I have already pointed out, this amount will be affected by the probability of the permanence of the present earning power. And in order to determine this question it is proper to consider the engineering conceptions of value upon which courts and commissions have more largely depended in fixing rates in the past.

The applicant asks that the water rights, right of way, real estate, buildings, pumping plant, transmission and distributing mains and property necessary to the operation of the water system be included in the price to be fixed by the Commission as a just compensation to the company.

The Eureka Water Company has been in the business of supplying water to the inhabitants of Eureka since 1889. A maximum of 250 miner's inches of water, equivalent to about three and one quarter millions of gallons daily, was appropriated from the Elk River, and whatever supply was necessary was diverted through a steel pipe line one and one quarter miles long, to the pumping plant, and was then pumped to a wooden tank within the city. Subsequent changes have been made until there now exists a new, up-to-date pumping plant on the bank of the Elk River, and several miles of redwood pipe through which the water is delivered to a battery of two half-million gallon tanks within the city. A new steel tank, receiving water pumped from the wooden tanks, furnishes good service to the highest portions of the city. The distribution system covers the settled portions of the city, and 85 per cent of the services are metered. There are no other companies delivering water for profit within the city.

The company submitted to the Commission, inventory as of January 1, 1914, listing all property owned by it, covering in detail the component parts of the system.

The engineers for the Commission made a careful examination of all the property of the company, and judged the physical condition of the various parts of the system to be excellent. Very complete records of locations of mains and services are in existence, and show that care has been exercised by the company in its methods of operation.

At a hearing held in Eureka on February 5, 1914, the Commission's engineer presented a valuation showing in detail the quantities of the various items, the unit cost in place, the total cost and the additional allowance due to overhead expenses. Depreciation was computed on the straight line method and each item was allowed the number of years of useful life which was found reasonable. Deducting the depreciation from the reproduction cost of the system, with overhead, the present values of the physical elements were found.

While the company had no engineer engaged to report upon the value of its system, its superintendent had carried along as capital account all additions and improvements made in the last ten years or so, and had therefore a general appraisal of the property.

The determination of accrued depreciation was the principal discrepancy in results obtained by the company and by the engineers of the Commission. On such an item as wooden pipe, constantly kept under pressure, the company contended that a fifty-year life should be allowed. Available records do not warrant the belief that this pipe, under the conditions of use here obtaining, will be in service at that age; therefore the Commission's engineers allowed thirty-five years as the probable life. The accrued depreciation as figured by the superintendent of the company was about \$15,000.00 less than that fixed by the Commission's engineers. While not accepting as a matter of fact either estimate of depreciation, I feel that the Commission's engineers have no intent to cause any injury to the company by excessive deductions for depreciation. However, they have revised their estimate of accrued depreciation upon certain of the items, and admit that \$3,751.00 may reasonably be transferred from accrued depreciation to present value. The company was found to have omitted from its inventory meter material amounting to \$321.00, and that amount has been added to the totals placed in testimony.

The Commission's engineers presented a revised valuation of the physical property as follows:

Reproduction cost with overhead-----	\$304,731 00
Past depreciation deducted-----	76,595 00
Present value -----	\$228,136 00
Additional for meter materials-----	321 00
Total -----	\$228,457 00

This is approximately \$11,250.00 less than the sum for which the company contends is proper for the present value of the physical elements

of the property without regard to water rights. In other words, eliminating the question of water rights, the Commission's engineers find a present value of the property, in its present condition, of \$288,457.00, while if the entire increased life contended for by the company be allowed, the present value resulting will be \$239,706.00.

On the question of water rights, we are relieved from any embarrassment as to the propriety of a charge for such rights, because the city desiring to purchase this property admits that the rights held by the water company are of value to it, and expresses a willingness to pay therefor the sum of \$25,000.00. These rights consist of the right to divert up to 250 miner's inches of the flow of the Elk River. The company submits two methods for computing the value of such water rights, *first*, the additional cost that would be incurred in bringing the next available source of water into Eureka; and, *second*, the arbitrary sum per million gallons supplied. Under each of these methods the company arrives at a figure approximating \$100,000.00 as a proper value for its water rights.

While under the circumstances of this case I shall specifically refrain from a discussion of the propriety of a charge for water rights in this decision, and, under the agreement of the parties, will assume that some charge is justified, still it is well to comment upon the plain fallacy involved "in the additional cost of next nearest source theory." The representatives of the water company urge that inasmuch as the next available source is at Mad River, and that the construction of a system to take the water from Mad River would require \$100,000.00 more than to construct a system to bring the water from Elk River, the present source of supply, the value of the water right is \$100,000.00. If this means anything at all, it merely means that the ownership of the right to take water from Elk River is \$100,000.00 more valuable than the ownership of a similar right to take a similar quantity of similar water from Mad River, if value shall be considered that which it costs the agency to acquire the property. But, of course, the \$100,000.00 excess cost has no reference whatsoever to the value of any right to take water from Elk River, and is purely the relative computation and gives no light whatsoever upon the proper value to be put upon the Elk River right, if such right is to have value at all. For, plainly, if cost is to be the criterion, as here urged, and the cost of the Elk River rights is \$25,000.00, then the cost of the Mad River rights would be \$125,000.00. While if the cost of the Elk River rights is \$100,000.00, the cost of the Mad River rights would be \$200,000.00, and only in the event that the cost of the Elk River rights is nothing, is the cost of the next available source on Mad River to be assessed at \$100,000.00. And we have a situation where the net result of the reasoning of the applicant is that if cost is to be the criterion of value, its Elk River

rights have no value, and if cost is not to be the criterion of value then the excess cost to develop the Mad River supply can not be considered. Because of the fact that this theory is being urged in other cases, as well as this one, I believe it well to state definitely that whatever shall be the final determination of the Commission on this question, that certainly the theory of the next available source must be rejected as being absolutely untenable for any purpose whatsoever.

If we add the \$25,000.00 agreed to by the city as the charge for the water right to the \$228,457.00 present value found by the Commission's engineers, we get a total sum of \$253,457.00. While if we add a similar sum to the \$239,706.00 urged as the present value of the physical elements of the property by the company, we will get a total present value of \$264,706.00. If we assume, on the other hand, that 8 per cent is the correct amount for the company to earn, and that the present earning power alone fixes the value of the utility property for the purposes of sale, we will have the sum of \$284,750.00. This latter sum is not far from the book cost of the property with no consideration given either to depreciation or appreciation of the various elements.

I have already pointed out the reasons why the earning power of a utility or other property can not entirely fix the market value, and have called attention to the fact that the permanency of such condition must always be considered in a determination of market value, and further, that the permanency of the earning power of a public utility can only be determined by an inspection of the property and a consideration in general, at least, of what may be expected of rate fixing bodies following the rules laid down by the courts and commissions in rate fixing inquiries. I have likewise shown the inapplicability of the market value theory of the separated items of a public utility property in determining the market value, or any other value, of the assembled items considered as a unit. I shall, therefore, not recommend the adoption by this Commission either of the theory that the market value is entirely fixed by the present earning power of a public utility property nor that the market value under any circumstances is determined by the aggregate market values of the separated items of a utility property. I shall, however, give consideration to what appears to me to be the significant effect of the market value theory, and likewise shall give consideration to the determination of our own engineers and the company's contention on the question of depreciation, and likewise shall consider the investment which the evidence shows to have been made in this utility property.

In passing, however, it is well to note that so far as can be determined from the books of this company, not one cent has ever been put into the property other than the \$135,000.00 originally invested, and any

added value has been secured from the rates. To be sure, no criticism should be meted out to a public utility for reinvesting its earnings in its property, the criticism being directed to the method which permits excessive earnings and the practical creation of utility property from out of funds contributed in rates. If the rates during the history of this utility have not been excessive, then no criticism is due any one for the condition we meet here. But we find, in effect, that starting with an investment of \$135,000.00 a little more than ten years ago, we have now actual money in the property, without considering depreciation, of approximately \$288,000.00, and in addition, each year there has been taken out \$5,000.00 by the president of the company for nominal services. Under all of the considerations, and with the impossibility of determining from the books of the company or from any available source just what has been expended out of earnings for maintenance, and what for improvements, it is impossible to determine that the patrons of this utility have in the past been improperly dealt with, but it is very evident that proper accounting methods and proper regulation on the part of the cities must be enforced in order to have any information as to the propriety of a rate scheme enforced by any utility operating therein. I am convinced from the facts in this case, as well as facts in many other cases that have come to the attention of this Commission, that if the financial histories of utilities of the United States could be written it would be found that a great deal of their present property values have been secured from their rates in addition to proper earnings, and not from such proper earnings; and this conclusion is not met by a showing that dividends have not been paid upon stock, because the investment of net earnings, excessive in amount, in utility properties and the gradual increase in the value of their stocks, is just as much an earning to the owners of such stocks as though dividends were declared and the payment of the interest on bond issues and the payment of the bond issue ultimately from the rates, of course, brings about a like result. The fiscal affairs of utilities, of course, must be regulated in order to give light upon their value for sale purposes when the public shall desire to acquire them, as well as to determine the proper rates during the time they are held in proper ownership.

I recommend the following findings:

#### FINDINGS.

City of Eureka, a municipal corporation, having filed with this Commission a petition setting forth the intention of said municipal corporation to acquire under eminent domain proceedings the lands, property and rights of the Eureka Water Company, a public utility operating within said city of Eureka; said lands, property and rights hereinafter specifically appearing, and having asked this Commission to determine

the just compensation which shall be paid by said city of Eureka for said lands, property and rights owned by said public utility, and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the just compensation which shall be paid by said municipal corporation, the city of Eureka, for said lands, property and rights owned by said Eureka Water Company and sought to be acquired by said city of Eureka, is two hundred and seventy thousand (270,000) dollars. The property for which such just compensation is fixed is described as follows:

#### **Water Rights.**

Two hundred and fifty inches of water flowing in Elk River, the point of diversion being in the east one half of section 16, township 4 north, range 1 west, Humboldt meridian, as per claim dated March 6, 1889, and recorded March 14, 1889, in Book No. 1 of Mining Claims, page 468, Humboldt County Records.

#### **Rights of Way.**

For pipe line from the intake at Elk River to the south limits of the city of Eureka, as particularly described in the following mentioned deeds, which are hereby referred to for more particular description and made a part hereof:

J. O. Showers and Mary Ann Showers to The Eureka Water Company. Recorded December 31, 1909, in Book 110 of Deeds, page 282, Records of Humboldt County.

Thomas Hinch to The Eureka Water Company. Recorded December 31, 1909, in Book 111 of Deeds, page 243, Records of Humboldt County.

J. P. Shanahan to The Eureka Water Company. Recorded December 31, 1909, in Book 111 of Deeds, page 244, Records of Humboldt County.

W. O. Shanahan et al. to Ricks Water Company. Recorded April 11, 1889, in Book 30 of Deeds, page 371, Records of Humboldt County.

J. K. Shanahan and Margaret Shanahan to Ricks Water Company. Recorded May 16, 1889, in Book 31 of Deeds, page 82, Records of Humboldt County.

Eva Fleckenstein to The Eureka Water Company. Recorded December 31, 1909, in Book 111 of Deeds, page 242, Records of Humboldt County.

Phoebe A. Sharp and U. J. Noe to Ricks Water Company. Recorded November 13, 1900, in Book 70 of Deeds, page 527, Records of Humboldt County.

Excelsior Redwood Company to Ricks Water Company. Recorded November 13, 1900, in Book 70 of Deeds, page 529, Records of Humboldt County.

Also, a right of way for said pipe line diagonally across the land of Mrs. M. Zanona et al. from the lands of Thomas Hinch to the lands of J. P. Shanahan, being a distance of 940 feet, and from which transmission main was laid November, 1909.

**Real Estate.**

Parcel A. All that parcel of land situate in the county of Humboldt, State of California, and described as follows, to wit:

Beginning at a point 3,642 feet north and 1,234 feet west from the corners to sections 9, 10, 15 and 16, in township 4 north, range 1 west, Humboldt meridian; said point being on the east boundary of the County Road and on the west bank of a slough running into Elk River; thence north along the bank of said slough 16 degrees east 204.6 feet; thence north 18 degrees east 221.8 feet; thence west 328 feet to the County Road; thence along the same south 26½ degrees east 454.7 feet to the place of beginning, containing 1.51 acres, subject to an agreement made by the Eureka Water Company to sell 1.44 acres of above described parcel of land, the purchase price of which has not been paid in full.

Parcel B. All that certain parcel of land situate in the county of Humboldt, State of California, and being the site of pumping station No. 2, and particularly described as follows:

Beginning at a point north 77 degrees 25 minutes west 139.5 feet from a point 208 minutes north of the quarter section corner between sections 15 and 16, township 4 north, range 1 west, Humboldt meridian; running thence north 7 degrees 15 minutes west 293 feet, north 89 degrees west 140 feet, south 7 degrees 30 minutes east 262 feet, and south 76 degrees 40 minutes east 146 feet to the place of beginning, containing nine tenths of an acre more or less.

Parcel C. All that parcel of land situate in the city of Eureka, county of Humboldt, State of California, and being the site of tanks Nos. 1 and 2, and particularly described as follows, to wit:

South 134 feet of Block 122, second enlargement of Clark's Addition to the city of Eureka, being 245 feet on the north side of Harris street, and extending north 134 feet between "E" and "F" streets.

Parcel D. All that parcel of land situate in the city of Eureka, county of Humboldt, State of California, and being the site of tank No. 3, and particularly described as follows:

All of Block 83 of the amended enlargement of Prairie Addition to the city of Eureka, being between Wood and Harris, "K" and "L" streets.

Parcel E. All that parcel of land situate in the city of Eureka, county of Humboldt, State of California, and particularly described as follows:

The southwest quarter of Block 54 of the city of Eureka, being 110 by 120 feet at the northeast corner of Sixth and "C" streets (for site of proposed shops).

**Buildings.**

Pumping station No. 1, situate on the parcel of land hereinbefore described as Parcel A:

Buildings composing station No. 2, situate on parcel of land hereinbefore described as Parcel B, and consisting of main building 70 feet by 40 feet, boiler room 40 feet by 20 feet attached to main building, dwelling, shed, barn and tank building and tank for fire protection.

Office building and two shops located at and back of 431 "G" street, Eureka, California, said building located on rented premises.

**Pumping Plant and Equipment.**

Located upon land described as Parcel A:

Dow Duplex pump, 11 inches by 18 inches, capacity 1,500,000 gallons per day. Fifty horsepower electric motor complete with all electrical equipment, including switches, wiring, auto-starters, etc.

Knowles Duplex compound steam pump, 12 inches by 18 inches by 12 inches by 12 inches, capacity 1,000,000 gallons per day.

Eighty-five horsepower boiler, complete and fully equipped for burning wood or oil.

Feed water pump.

Hot water pump.

Oil feed pump.

Fuel oil tank.

Fire protection tank, pipes, fittings, hose, etc.

Electric power line between stations 1 and 2.

Telephone line between stations 1 and 2.

Delivery pipes, fittings and valves.

Miscellaneous tools and equipment.

**Filter Plant and Equipment.**

Located upon land described as Parcel A:

Three mechanical filters, 5 feet by 19 feet, 8 feet by 21½ feet, and 8 feet by 20 feet; combined capacity 1,500,000 gallons per day. Alum tank.

Pipes and connections.

Miscellaneous tools and equipment.

**Diverting Dam.**

Located on leased land in section 16, township 4 north, range 1 west, Humboldt meridian. Recorded April 11, 1889, in Book 30 of Deeds, page 378, Records of Humboldt County.

Timber dam and apron.

Concrete intake and suction pipe leading to pump pit.

Concrete pump pit.

Pipes and connections.

**Pumping Plant and Equipment.**

Located on land described as Parcel C:

5-inch, two stage, centrifugal pump, capacity 40,000 gallons per hour.

Twenty-five horsepower electric motor, complete with all electrical equipment, including switches, wiring, auto-starters, etc.

Miscellaneous tools and equipment.

This pumping plant is used for pumping from tanks 1 and 2 into tank 3, which supplies the upper zone.



**Transmission Mains.**

Includes all pipe used for the transmission of water to the distribution system:

4,711 feet 16-inch machine banded wood stave pipe buried in trench.

4,426 feet 16-inch machine banded wood stave pipe on timber trestles.

4,973 feet 16-inch continuous stave wood pipe on timber trestles.

5,819 feet 13-inch, 14 gauge sheet steel pipe, including 2,700 feet inside city limits.

Total length of transmission mains, 19,929 feet.

All gate valves, air valves, tees, elbows, and other fittings and appliances on transmission mains.

Five 12-foot timber bridges, total length, 216 feet.

Two 14-foot timber bridges, total length, 62 feet.

Four 16-foot timber bridges, total length, 80 feet.

Timber covering over pipe on trestles.

Concrete casing under railroad track, 36 inches diameter by 53 feet long.

Timber portals for the above concrete casing.

Timber tunnel under county road.

Miscellaneous tools and equipment.

**Distribution Mains.**

Located within limits of city of Eureka:

1,044 feet 16-inch continuous stave wood pipe.

2,602 feet 16-inch machine banded wood stave pipe.

4,343 feet 12-inch machine banded wood stave pipe.

11,217 feet 13-inch 14 gauge sheet iron pipe.

40 feet 13-inch 12 gauge sheet iron pipe.

10,350 feet 10-inch 14 gauge sheet iron pipe.

1,454 feet 10-inch 12 gauge sheet iron pipe.

31,983 feet 8-inch 14 gauge sheet iron pipe.

5,715 feet 8-inch 12 gauge sheet iron pipe.

17,353 feet 6-inch 14 gauge sheet iron pipe.

1,743 feet 6-inch 12 gauge sheet iron pipe.

1,631 feet 5-inch \*16 gauge sheet iron pipe.

2,644 feet 8-inch Mathewson pipe.

2,837 feet 8-inch cast iron pipe.

1,712 feet 6-inch cast iron pipe.

290 feet 3-inch wrought iron pipe dipped.

86,454 feet 2-inch wrought iron pipe dipped.

31,096 feet 1-inch wrought iron pipe dipped.

20,000 feet 1-inch wrought iron pipe galvanized.

552 valves and mains of various sizes.

2 6-inch service connections.

43 2-inch service connections.

19 1½-inch service connections.

7 1¼-inch service connections.

1,994 1-inch service connections.

163 ¾-inch service connections.

184 gate wells.

\*Estimated.

184  $\frac{1}{2}$ -inch service connections.

179 fire hydrants.

43 sprinkler gates.

1,781  $\frac{3}{4}$ -inch meters installed.

120  $\frac{3}{4}$ -inch meters installed.

33 1-inch meters installed.

20  $1\frac{1}{2}$ -inch meters installed.

19 2-inch meters installed.

1 2-inch by  $\frac{3}{4}$ -inch compound meter installed.

480 iron meter boxes.

285 wood meter boxes.

All pipe fittings and specials on distribution system.

Redwood tank on concrete foundations, 54 feet diameter by 30 feet deep, capacity 500,000 gallons.

Redwood tank on concrete foundations, 54 feet diameter by 31 feet deep, capacity 520,000 gallons.

Both of these tanks are located on Parcel C.

Steel tank and tower on concrete foundations, 22 feet diameter by 32 feet deep, round bottom, capacity 80,000 gallons. This tank is located on Parcel D.

All inlet, outlet and connecting pipes, valves, fittings, etc., for these tanks.

Small, wooden gate house.

Miscellaneous tools and equipment.

#### Miscellaneous Equipment.

Two automobiles.

Four sectional maps showing all pipes, services, meters, fire hydrants, etc.

Office safe, furniture and fixtures.

Tools and appliances for street work.

Plumbing shops, tools and appliances.

Power shears and punch, rolling machine, and tools for making sheet iron pipe.

#### Materials and Supplies.

Wrought iron pipe on hand, sizes  $\frac{3}{4}$ -inch to 2-inch.

Sheet iron pipe on hand, sizes 6-inch to 13-inch.

Pipe fittings for wrought and sheet iron pipe.

Eight tons Coagulant (sulphate of alumina).

Filter sand.

#### Miscellaneous.

All buildings not heretofore listed.

All fencing of any character.

All other property owned by the Eureka Water Company on February 1, 1914, and used and useful in the conduct of its water utility business.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

## DECISION No. 1371.

IN THE MATTER OF THE APPLICATION OF SOUTH PACIFIC COAST RAILWAY COMPANY AND SOUTHERN PACIFIC COMPANY FOR AN ORDER APPROVING AGREEMENT ENTERED INTO BY SAID COMPANIES UNDER DATE OF DECEMBER 4, 1913, MODIFYING THE LEASE MADE BY SOUTH PACIFIC COAST RAILWAY COMPANY TO SOUTHERN PACIFIC COMPANY DATED JULY 1, 1887.

---

Application No. 1006.

*Decided March 23, 1914.*

---

Applicants ask permission to modify a certain lease from the South Pacific Coast Railway Company to Southern Pacific Company so as to permit the lessee to pay 4 per cent upon the outstanding bonds of the lessor in lieu of 4 per cent upon the entire issue.

*Held*, Applicants given six months in which to obtain the written consent of a majority of the bondholders to the proposed modification, at which time, if such consent is obtained, the application will be granted. If applicants are unable to obtain such consent, upon their request, the Commission will take such action as it may deem just and reasonable.

*Guy V. Shoup*, for Applicants.

*Pillsbury, Madison & Sutro, Felix T. Smith, and Parker Maddux*, for Savings Union Bank and Trust Company, Intervenor.

*Tobin & Tobin*, for Mrs. W. K. Vanderbilt and Mrs. Theresa Oelrichs.  
*M. M. Jones*, for Oakland Chamber of Commerce, Intervenor.

REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application for authority to modify subsection 5 of article III of a lease from South Pacific Coast Railway Company to Southern Pacific Company, dated July 1, 1887, with reference to the sum of money to be paid each year as rental by the Southern Pacific Company to the South Pacific Coast Railway Company. The Savings Union Bank and Trust Company was granted leave to intervene and protested against the application being granted on the ground that if the proposed change in the lease be consummated, the amount of money available for the retirement of outstanding bonds would be diminished. The Chamber of Commerce of Oakland also appeared and urged that if the moneys to be paid by the Southern Pacific Company to the South Pacific Coast Railway Company under said lease are not all necessary to pay the interest on the bonds of the South Pacific Coast Railway Company, as the interest falls due from time to time, this money should be used to install more frequent and efficient train service on the line owned by

the South Pacific Coast Railway Company between Oakland and Santa Cruz.

South Pacific Coast Railway Company was incorporated on May 21, 1887. This company is a consolidation and amalgamation of seven other railroad corporations, known as the Santa Cruz and Felton Railroad Company, South Pacific Coast Railroad Company, Bay and Coast Railroad Company, Oakland Township Railroad Company, San Francisco and Colorado River Railroad Company, Felton and Pescadero Railroad Company and Almaden Branch Railroad Company. The property owned by the South Pacific Coast Railway Company, the new corporation, consisted of a certain ferry line between the city and county of San Francisco and the city of Alameda, and certain steam ferryboats used thereon, and of a railroad commencing at the eastern terminus of said ferry, in the bay of San Francisco, and running thence through the city of Alameda and through the county of Alameda, the county of Santa Clara and the county of Santa Cruz, to the town of Santa Cruz, forming with said ferry a continuous line from San Francisco to Santa Cruz, and of various branches thereof, and also of a line of railroad from the city of Alameda to the city of Oakland, together with certain telegraph lines.

On July 1, 1887, the South Pacific Coast Railway Company executed its deed of trust or mortgage to the Farmers' Loan and Trust Company, of New York City, to secure an issue of first mortgage bonds of the face value of \$5,500,000.00, payable fifty years after date, and bearing interest at the rate of 4 per cent per annum. The interest is payable semiannually on the first day of January and July of each year. Among other provisions, the deed of trust or mortgage provides in article VI thereof, for a sinking fund to be applied to the redemption of the bonds. In this article, the South Pacific Coast Railway Company agreed that on July 1, 1912, and annually thereafter, until the payments previously made should, with the interest earned thereon, be sufficient to fully pay and redeem all the bonds, it would pay to the trustee the sum of \$220,000.00, in gold coin, in four equal quarterly payments. Each year advertisement shall be made for the receipt of bids for the sale to the sinking fund of so many bonds as the funds at that time on hand applicable to such purposes will redeem at or near par and accrued interest, and it is made the duty of the trustees to the extent of such funds, to purchase and redeem such bonds as may be offered at or below par and accrued interest, preference being given to the lowest bids received. In accordance with the provisions of this trust deed or mortgage, the South Pacific Coast Railway Company issued its 4 per cent, fifty-year gold bonds, in the total amount of \$5,500,000.00, as therein provided.

On the same day, viz, July 1, 1887, the South Pacific Coast Railway Company executed a lease of its property to the Southern Pacific Company for the term of fifty-five years from July 1, 1887. The Southern Pacific Company agreed that it would, during the continuance of the lease, preserve and maintain the property in as good condition as it was when it received it; that it would continue to operate the railroads and ferries of the lessor, and that the service to be rendered would be at least equal to the service rendered by the lessor at the time of making the lease; that it would pay all taxes and assessments levied or charged against the property; that it would pay all expenses and charges incident to the operation and running of the railroads, ferries and telegraph lines of the lessor; and that it would guarantee the payment of the principal and interest of the bonds of the lessor. Subsection 5 of article III of the lease reads as follows:

“That it (Southern Pacific Company) will, during the continuance of this lease, pay as rent for the said demised premises, including said ferryboats and telegraph lines, an annual sum equivalent to four per cent on the five million five hundred thousand dollars of bonded debt of said party of the first part, secured by a mortgage on the said demised premises and every part thereof; that is to say, the sum of two hundred and twenty thousand dollars per annum, in the gold coin of the United States, of the present standard and fineness, in semiannual installments on the thirty-first day of December, and the thirtieth day of June of each year, to be used by the party of the first part in paying the interest on the said bonds, and that from and after the first day of July, one thousand nine hundred and twelve, the said party of the second part shall further pay as rent for the said demised premises a further sum annually of two hundred and twenty thousand dollars, in the like gold coin in four equal quarterly payments, viz: on the thirtieth day of September, the thirty-first day of December, the thirty-first day of March and the thirtieth day of June, and said payments are to be made to the Farmers’ Loan and Trust Company in the city of New York, the trustee named in the mortgage, to secure the said bonds issued by the party of the first part, or to its successors in the trust; which said payments shall be used for and constitute a sinking fund for the redemption of the said five million five hundred thousand dollars of said bonds issued by the party of the first part, such payments to continue at the times hereinbefore specified, until the payments previously made shall, with interest earned thereon, and the accretions thereto be sufficient to fully pay and redeem said bonds, also that it shall and will during said period, keep and maintain an office for the transaction of the business of the party of the first part, both in the city of New York and in the said city and county of San Francisco.”

Upon the execution of said lease, the Southern Pacific Company entered into the possession of the properties of the South Pacific Coast Railway Company, and subsequently thereto it has continuously main-

tained and operated said properties. The Southern Pacific Company has expended over \$200,000.00 in changing the gauge of the railroad from narrow to standard gauge; over \$600,000.00 in widening tunnels; over \$280,000.00 in electrification in Alameda; and over \$100,000.00 in installing block signalling, interlocking and kindred protective devices. During the last ten years, the Southern Pacific Company claims to have spent for additions and betterments on this property, the sum of \$1,949,562.14.

The petitioners now ask for a modification of section 5 of article III of the lease, so as to read as follows:

“That it (Southern Pacific Company) will, during the continuance of this lease, pay as rent for the said demised premises, including said ferryboats and telegraph lines, an annual sum equivalent to four per cent on the outstanding bonded debt of said party of the first part, secured by a mortgage on the said demised premises and every part thereof; such payment to be made in the gold coin of the United States, of the present standard and fineness, in semiannual installments on the thirty-first day of December, and the thirtieth day of June of each year, to be used by the party of the first part in paying the interest on the said bonds, and that from and after the first day of July, one thousand nine hundred and twelve, the said party of the second part shall further pay as rent for the said demised premises a further sum annually of two hundred and twenty thousand dollars, in the like gold coin in four equal quarterly payments, viz: on the thirtieth day of September, the thirty-first day of December, the thirty-first day of March and the thirtieth day of June, and said payments are to be made to the Farmers' Loan and Trust Company in the city of New York, the trustee named in the mortgage, to secure the said bonds issued by the party of the first part, or to its successor in the trust; which said payments shall be used for and constitute a sinking fund for the redemption of the said five million five hundred thousand dollars of said bonds issued by the party of the first part, such payments to continue at the times hereinbefore specified, until the payments previously made shall, with the interest earned thereon, and the accretions thereto, be sufficient to fully pay and redeem said bonds, also that it shall and will during said period, keep and maintain an office for the transaction of the business of the party of the first part, both in the city of New York and in the said city and county of San Francisco.”

In support of this application, the Southern Pacific Company drew attention to the fact that under the lease of July 1, 1887, provision is made for a rental to consist of two sums of money, the first being an annual sum equivalent to 4 per cent on the \$5,500,000.00 of the bonded debt of the South Pacific Coast Railway Company, and the second being the payment on and after July 1, 1912, of the sum of \$220,000.00 annually to be used as a sinking fund for the redemption of the out-

standing bonds. The Southern Pacific Company claims that the intent of these provisions was that the rental payments should be equal to the interest and sinking fund obligations of the South Pacific Coast Railway Company under its bond mortgage, but that as bonds were brought in and cancelled, the amount of interest payable on the remaining outstanding bonds would gradually diminish after July 1, 1912, so that it would no longer be necessary to pay the sum of \$220,000.00 per year to meet interest obligations. The petitioners accordingly ask for a modification of the lease so that it will be necessary to pay as rental an annual sum equal to 4 per cent on only the remaining outstanding bonded indebtedness from time to time, together with the flat sum of \$220,000.00 per annum for sinking fund purposes.

The Savings Union Bank and Trust Company asked and was granted leave to file a petition in intervention. This company claims to be the owner of bonds of the South Pacific Coast Railway Company having a face value of \$375,000.00, and protests against the granting of the application on the ground that the funds available for the redemption of bonds would thereby be diminished, with the result that a longer period will elapse before the outstanding bonds are redeemed. In support of its position, this company refers to article VI of the lease of July 1, 1887, reading as follows:

"It is distinctly covenanted and agreed between the parties hereto, that this lease is made subject to the terms and lien of the said mortgage or deed of trust, executed by said party of the first part to the said Farmers' Loan and Trust Company as trustee, and that the terms of this lease shall not, prior to the payment of the said bonds, be in any manner changed or altered so as to impair the security of the said mortgage or deed of trust, without the written consent of a majority in amount of the said bondholders."

The company claims that the proposed alteration in the lease would impair the security of the mortgage or deed of trust and points to the fact that the written consent of a majority in amount of the bondholders has not been secured.

The Southern Pacific Company urges that if it should continue to pay into the treasury of the South Pacific Coast Railway Company the sums specified in section 5 of article III of the lease, it would be paying funds in excess of those necessary to meet the sinking fund obligations and also the annual interest payments. The company accordingly claims that as it owns all the stock of the South Pacific Coast Railway Company, it would have the right to declare a dividend of the surplus moneys so paid in excess of the annual payments for interest and sinking fund purposes. The company claims that it is not desirable to take this roundabout method of getting such excess payments back into its

own treasury, and accordingly asks for a modification of the lease in the respects hereinbefore pointed out.

The protestant, Savings Union Bank and Trust Company, first urged in reply to this claim that there are certain expense items, such as income tax payments, which the Southern Pacific Company has not obligated itself to pay, and that any excess sums remaining in the treasury of the South Pacific Coast Railway Company after the payment of sinking fund and interest, should be retained for the purpose of paying such expenses. The Southern Pacific Company, without admitting the correctness of this claim, thereupon agreed to enter into a stipulation to pay all taxes and other charges against the South Pacific Coast Railway Company, whether specifically described in the lease or not. As the Southern Pacific Company owns all the capital stock of the South Pacific Coast Railway Company, it would presumably be compelled in any event to pay all claims against the South Pacific Coast Railway, under its stockholders' liability.

The Savings Union Bank and Trust Company thereupon urged that the entire sum of \$440,000.00 to be paid annually by the Southern Pacific Company on and after July 1, 1912, is a trust fund for the payment of bonds and interest, and that as the number of outstanding bonds diminishes, so that the interest payments each year become less, the funds remaining in the treasury should be used for the purpose of redeeming additional bonds. There is no point made that the security is not ample to support the bonds, but the bank points to the fact that the interest on these bonds is only 4 per cent and that it is accordingly desirable to have the bonds redeemed as early as possible, so that the proceeds may be invested in securities bearing a higher rate of interest.

That this Commission's consent must be secured before the lease is altered seems clear, under the provisions of section 51 of the Public Utilities Act, providing in part that no railroad corporation shall sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its railroad, necessary or useful in the performance of its duties to the public, without having first secured from this Commission an order authorizing it so to do. As this Commission's consent is necessary for an original lease, it seems likewise necessary for an alteration in the terms thereof.

If the Commission in this proceeding refuses its consent, it is clear that the lease can not legally be altered. If the proposed alteration in the lease would result in the impairment of the security of the mortgage or deed of trust, the petition should be denied. On the one hand, if the position of the protestants is not valid and if the Southern Pacific Company finds itself unable to secure the written consent of a majority in



amount of the bondholders to the proposed change, the refusal of this Commission to grant its consent would undoubtedly work an injustice. On the other hand, if this Commission should grant the application, the result might be long drawn out litigation on the part of the protestants or others who might believe that their security was being impaired. The Commission does not desire to take action which will work an injustice in the one event or lead to needless litigation in the other. It has occurred to me that it might prove relatively easy to secure the written consent of a majority in amount of the bondholders to the proposed change. Mrs. William K. Vanderbilt and Mrs. Theresa Oelrichs, who own over two million dollars, face value, of the outstanding bonds, were represented by counsel, who stated that in view of the fact that these bonds are guaranteed by the Southern Pacific Company, his clients have no objection to the granting of the application. As bonds of the face value of \$177,000.00 have already been redeemed, it would seem that it should not be difficult to secure the consent of sufficient of the remaining bondholders so as to amount to a majority of the outstanding bonds. I shall accordingly recommend that no action be taken by the Commission at this time, but that the applicants be granted six months within which to secure the consent of a majority of the owners of the outstanding bonds to the proposed change. If such consent is secured, I shall then recommend that the application be granted, on condition that the Southern Pacific Company agree to pay all charges against the property, including the Federal income tax, and any other charges which may not be included in the lease as now worded. If the Southern Pacific Company finds itself unable within the six months herein specified to secure such consent, it may then again appear before the Commission, whereupon the Commission will determine whether it will grant the application, notwithstanding the failure to secure the written consent of the owners of a majority of the outstanding bonds.

The Oakland Chamber of Commerce was represented at the hearing and opposed the granting of the application on the ground that any surplus moneys remaining in the treasury of the South Pacific Coast Railway Company, and not necessary to meet the sinking fund requirements and the interest payments of the South Pacific Coast Railway Company's bonds, should be used for the establishment of more frequent and efficient train service between Oakland and points south thereof on the line of the South Pacific Coast Railway Company. The Chamber of Commerce presented several letters from persons complaining of the service and asking that improvements be made therein. As this matter is only collateral to the real issue here presented, and as it would seem inexpedient in this proceeding to go into the entire question of the

adequacy of the service of the Southern Pacific Company over this line of railway, I think it would be wiser to leave this matter to a separate proceeding. If the Chamber of Commerce will file a formal complaint with this Commission, complaining of the service on this line of railway, the Commission will be glad to expedite a hearing on such application and to do all in its power to secure a speedy and satisfactory determination of the matter. The present proceeding hardly seems appropriate for this purpose.

I submit herewith the following form of order:

**ORDER.**

South Pacific Coast Railway Company and Southern Pacific Company having filed an application for authority to alter section 5 of article III of the lease of July 1, 1887, from South Pacific Coast Railway Company to Southern Pacific Company, so as to provide in part that in lieu of the paying each year into the treasury of the South Pacific Coast Railway Company the sum of four (4) per cent on the entire bond issue of the South Pacific Coast Railway Company, the Southern Pacific Company should be obligated to pay only four (4) per cent on the bonds remaining outstanding from time to time, and the Savings Union Bank and Trust Company and the Oakland Chamber of Commerce having asked for and been granted authority to appear in opposition to said petition, and a public hearing having been held and the application having been submitted and being now ready for decision,

*It is hereby ordered* as follows:

1. Petitioners herein are hereby given six (6) months time within which to present to this Commission the written consent of the owners of a majority of the outstanding bonds of the South Pacific Coast Railway Company to the proposed change in said lease, whereupon when such consent is presented, this Commission will make its order approving the proposed alteration of the lease.

2. If the petitioners herein endeavor, in good faith, to secure such consent of the owners of a majority of the outstanding bonds of the South Pacific Coast Railway Company, and are unable within six (6) months from the date of this order to secure such consent, they may thereupon apply to this Commission with the request that it make its order granting their application, notwithstanding the failure to secure such consent. The Commission will thereupon take such action as to it may seem at such time just and reasonable.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

## DECISION No. 1372.

IN THE MATTER OF THE APPLICATION OF ORO ELECTRIC CORPORATION FOR PERMISSION TO EXTEND THE TIME OF PAYMENT OF CERTAIN OBLIGATIONS SO THAT THE SAME WILL BECOME PAYABLE MORE THAN TWELVE MONTHS AFTER THE RESPECTIVE DATES THEREOF.

---

Application No. 1036.

*Decided March 23, 1911.*

---

Application of the Oro Electric Corporation to issue certain promissory notes in the aggregate amount of \$8,434.43 to be used in retiring notes of a like amount now outstanding, granted.

*F. E. Boland*, for Applicant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Oro Electric Corporation for an order authorizing the issuance of promissory notes aggregating the principal sum of \$8,434.43.

Promissory notes representing this sum are now outstanding and in these notes the time of payment is fixed at less than one year, but as it is now proposed to refund these notes by issuing in their place new notes extending over a period of six months, and the aggregate of the time within which the original and these refunding notes must be paid is over one year, the authorization of this Commission is necessary.

The money derived from the issuance of the promissory notes now asked to be refunded or exchanged for these new notes was used for additions, betterments and improvements.

One of these promissory notes provides for interest at 7 per cent and all the others at 6 per cent, and it is proposed to fix a like rate of interest in the notes which are exchanged as the interest fixed in the existing notes.

I recommend that the application be granted, and submit herewith the following form of order:

**ORDER.**

Application having been made to the Railroad Commission of the State of California for an order authorizing the issue by Oro Electric Corporation of promissory notes in the aggregate amount of \$8,434.43, payable six months from the date thereof, and a public hearing having been held and it appearing to the Commission that the issuance of said promissory notes is necessary for the discharge of the obligations of said corporation, and that the purposes for which the proceeds of said

notes are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the Railroad Commission of the State of California does hereby authorize the issue by Oro Electric Corporation of promissory notes in the aggregate sum of \$8,434.43, payable six months from the date thereof, and bearing interest at the same rate as the promissory notes of applicant now outstanding, and which are to be retired with the notes herein authorized to be issued as hereinafter provided. The notes herein authorized to be issued to bear interest not to exceed 7 per cent per annum.

The promissory notes hereby authorized to be issued shall be used only for the purpose of retiring and cancelling all of those certain promissory notes described in detail in Exhibit A, attached to the application herein, reference to which is hereby made.

Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the promissory notes hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such promissory notes during the preceding month, the terms and conditions of such sale or other disposition, the moneys or other benefits realized therefrom, and the use and application of such moneys.

The authority hereby given to issue such promissory notes shall apply only to notes issued by said company on or before the 23d day of October, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

---

DECISION No. 1373.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF BONDS IN THE AMOUNT OF NINE HUNDRED THOUSAND DOLLARS.

---

Application No. 453.

*Decided March 23, 1914.*

---

Supplemental order amending the original order in this application so as to permit applicant to issue the remaining portion of its bonds amounting to \$500,000.00 at 92 instead of 94½, as heretofore required, and extending the time in which said bonds may be issued to October 1, 1914.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL ORDER.

THELEN, *Commissioner*.

Whereas this Commission heretofore on April 10, 1913, rendered its decision No. 569 in the above entitled proceeding, authorizing Los Angeles Gas and Electric Corporation to issue its 5 per cent bonds of the face value of \$900,000.00, on the conditions, among others, that said bonds should be sold so as to net said company not less than 94½ per cent of the par value of the principal thereof, besides interest accrued thereon, on the first \$250,000.00, face value, of the bonds so issued, and not less than 94½ per cent of the face value of the principal thereof, besides interest accrued thereon, on the remaining bonds authorized to be issued, and that the proceeds from said bonds should be used in part to purchase the real property and gas manufacturing or generating plant located thereon, belonging to California Coke and Gas Company and the distributing system of Valley Gas and Fuel Company, in part for the reimbursement of moneys expended from income for capital account and in part for the subsequent acquisition of property and the construction, completion, extension and improvement of facilities and the improvement and maintenance of service, and that the authority to issue bonds should apply only to bonds issued by Los Angeles Gas and Electric Corporation on or before April 1, 1914; and whereas it now appears from supplemental application of Los Angeles Gas and Electric Corporation, on file herein, that bonds of the face value of \$400,000.00 of the bonds so authorized to be issued have now been issued on the terms specified in said order, but that Los Angeles Gas and Electric Corporation has been unable to secure for the remaining bonds, having a face value of \$500,000.00, the prices specified in said order, and now asks authority to issue said bonds so as to net not less than 92 per cent of the face value thereof, plus accrued interest, and that subsequent to this Commission's said order applicant has expended from its treasury the sum of \$576,166.67 for the purposes set out in Exhibit D-1, attached to the original petition in the above entitled proceeding, and that under the terms and conditions of applicant's trust deed, it is entitled to issue bonds of the face value of \$432,000.00 to reimburse its treasury for such expenditures, and that Los Angeles Gas and Electric Corporation can not avail itself of this Commission's authority to dispose of all of said bonds by April 10, 1914,

*It is hereby ordered* that the order of April 10, 1913, heretofore rendered in the above entitled proceeding, be and the same is hereby modified in the following respects:

1. Los Angeles Gas and Electric Corporation is hereby authorized to issue the remaining bonds of the face value of \$500,000.00, hereinbefore

referred to, so as to net said corporation not less than 92 per cent of the face value of the principal thereof, besides interest accrued thereon.

2. The proceeds from bonds of said issue having a face value of \$432,000.00, may be used by Los Angeles Gas and Electric Corporation to reimburse its treasury on account of expenditures made for the purposes specified in Exhibit D-1, attached to the original petition herein, and the proceeds from the balance of said total of \$500,000.00, face value, of bonds may be applied by applicant to the purposes set out in said Exhibit D-1.

3. The time within which Los Angeles Gas and Electric Corporation may issue the bonds referred to in said order of April 10, 1913, and in this order is hereby extended to and including the first day of October, 1914.

In all other respects said order of April 10, 1913, shall remain in full force and effect.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

---

DECISION NO. 1374.

IN THE MATTER OF THE APPLICATION OF OAKDALE GAS  
COMPANY FOR AUTHORITY TO ISSUE BONDS.

---

Application No. 987.

*Decided March 23, 1914.*

---

Application of the Oakdale Gas Company for permission to issue bonds of the face value of \$25,000.00 to cover cost of proposed extensions to its plant.

*Held.* Applicant permitted to issue bonds of the face value of \$15,000.00 and stock of the par value of \$8,000.00, said stock to be sold at par and bonds at not less than 80, proceeds to be used in the construction of a transmission main between Oakdale and Riverbank, and a distributing system in Riverbank.

*J. R. Anderson, for Applicant.*

REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

Oakdale Gas Company, of California, was incorporated July 23, 1913. It acquired from J. R. Anderson, under authority granted by this Commission, the gas plant and distribution system in the city of Oakdale, and issued therefor to Mr. Anderson, \$15,000.00 of stock and \$25,000.00 in bonds.

Oakdale Gas Company now makes application to this Commission for authority to sell a sufficient number of bonds to provide for the construction of a high pressure gas transmission line from Oakdale seven miles west to Riverbank, Stanislaus County, and for the construction of a distributing system in Riverbank, with necessary appurtenances. It is estimated that the total cost of this construction will be \$21,361.40.

The applicant has an authorized issue of \$75,000.00 in stock and an authorized issue of \$50,000.00 in 6 per cent twenty-five (25) year bonds. The financial organization of this corporation was considered in Decision No. 1205, to which reference is hereby made.

The applicant sets forth the purposes for which it now desires to issue additional bonds, as follows:

Gas works to Fifth street, Riverbank (6½ miles), 34,320 feet 2-inch black pipe, line pipe couplings, pipe, ditching, filling and testing to 50 pounds air pressure, at 20 cents per foot -----	\$6,864 00	
Supervision and engineering -----	1,372 80	\$8,236 80
In city limits of Riverbank, 7,200 feet 2-inch line pipe, ditching, filling and air testing, 20 cents per foot-----	\$1,458 00	
Supervision and engineering -----	291 60	1,749 60
In city limits of Riverbank, 20,000 feet 1½-inch line pipe, ditching, filling and air testing at 15 cents per foot-----	\$3,000 00	
Supervision and engineering -----	600 00	3,600 00
Unloading and distributing pipe -----		125 00
Expansion couplings, valves, and cement paint-----		125 00
Tools, lanterns, oil, gasoline, street and sidewalk crossings-----		100 00
Barn, pipe lot, and office in Riverbank-----		500 00
Combination compressor and steam engine-----	\$700 00	
One 6 by 36 10,000 cubic feet compressor tank delivered---	1,200 00	
One 30-horsepower boiler, set complete, ready for steam---	650 00	
Additional buildings and machinery foundations-----	500 00	
Supervision and plans -----	610 00	3,660 00
Compression gauges, valves and piping connections to compression tank, compressor and boiler-----		150 00
Franchise and Railroad Commission expenses-----		200 00
Liability insurance during construction-----		150 00
Auto, necessary for construction work and general use-----		1,250 00
100 main to curb connections, complete-----	\$350 00	
100 Sprague meters at \$6.15 delivered-----	615 00	
100 Reliance regulators \$3.00 delivered-----	300 00	
Labor, materials and supplies in original setting of 100 each meters and regulators -----	250 00	1,515 00
Total estimated cost -----		\$21,361 40

In this estimate allowance is made for engineering and supervision in the sum of \$2,874.40. Included in this estimate is an automobile for construction work in the sum of \$1,250.00, and certain other proposed

expenditures which the Commission does not regard as entirely proper expenditures to be made from the proceeds of the sale of twenty-five (25) year bonds. It is probable that \$1,500.00 would be an ample charge for engineering and supervision under the conditions surrounding this matter. I find, on the basis of the estimate submitted, that the proposed construction work may reasonably cost about \$20,000.00.

Applicant has submitted a statement of prospective earnings in which it aims to establish that the plant will pay sufficient in earnings to take care of the interest upon the proposed bonds. I find that the applicant has not made complete allowance for necessary operating expenses nor for depreciation. Mr. Anderson, manager of the Oakdale Gas Company, has already signed 113 prospective consumers of gas in Riverbank, and expressed a belief at the hearing that this number could be increased to 150. It is clear that the extension to Riverbank will be a valuable addition to the plant of the applicant.

This Commission has stated repeatedly that financing must be done not alone by bonds, but in part by bonds and in part by stock. Assuming that the addition to applicant's plant may be constructed at a cost of approximately \$20,000.00, I shall recommend that stocks and bonds be issued not to exceed \$23,000.00. Of this amount I believe that \$15,000.00 should be represented by bonds and \$8,000.00 by stock.

If the applicant finds it necessary to purchase the automobile mentioned in its estimate, it will be required to set up a proper depreciation reserve so that the cost thereof may be written off within four (4) years. A proper depreciation reserve should also be maintained on applicant's entire plant.

I recommend that the applicant herein be granted authority to issue \$15,000.00 of its 6 per cent first mortgage bonds, dated October 1, 1913, and maturing October 1, 1938, secured by trust deed to Security Trust and Savings Bank of Los Angeles, and that applicant be authorized further to issue \$8,000.00 in stock, to be represented by 8,000 shares of the par value of \$1.00 per share.

I therefore submit the following form of order:

**ORDER.**

Oakdale Gas Company, having applied to this Commission for authority to issue bonds to provide the sum of \$21,361.40, and a hearing having been held, and the Commission finding that said bonds are desired by applicant for the purpose of constructing a gas transmission line and gas distributing system, and that said bonds so proposed are not in whole or in part reasonably chargeable to operating expense or income,

*It is hereby ordered* that Oakdale Gas Company be authorized, and it is hereby authorized, to issue \$15,000.00, face value, of its first mortgage



6 per cent bonds, dated October 1, 1913, and maturing October 1, 1938, under its trust deed to Security Trust and Savings Bank of Los Angeles, a copy of which is on file with this Commission, and to which reference is hereby made.

*It is further ordered* that Oakdale Gas Company be given authority, and it is hereby given authority, to issue 8,000 shares of its capital stock of the par value of \$1.00 per share.

Said bonds and said stock may be issued upon the following conditions, and not otherwise:

1. Said bonds in the sum of \$15,000.00 may be issued only after applicant herein shall have issued the 8,000 shares of stock herein authorized, and received cash consideration for said stock.

2. Said bonds and said stock shall be sold so as to net applicant not less than \$20,000.00 in cash.

3. Said stock shall be sold so as to net applicant not less than 80 per cent of the net value thereof.

4. Said bonds shall be sold so as to net applicant not less than 80 per cent of the face value thereof plus accrued interest.

5. Proceeds derived from the sale of said stock and bonds shall be used for the construction of a high pressure transmission line from Oakdale to Riverbank and for a gas distributing system in Riverbank, with necessary appurtenances in detail, as follows:

Gas works to Fifth street, Riverbank (6½ miles), 34,320 feet	
2-inch black pipe, line pipe couplings, pipe, ditching, filling and testing to 50 pounds air pressure, at 20 cents per foot.....	\$6,864 00
In city limits of Riverbank, 7,200 feet 2-inch line pipe, ditching, filling and air testing, 20 cents per foot.....	1,458 00
In city limits of Riverbank, 20,000 feet 1½-inch line pipe, ditching, filling and air testing, at 15 cents per foot.....	3,000 00
Unloading and distributing pipe .....	125 00
Expansion couplings, valves, and cement paint.....	125 00
Tools, lanterns, oil, gasoline, street and sidewalk crossings.....	100 00
Barn, pipe lot, and office in Riverbank.....	500 00
Combination compressor and steam engine.....	700 00
One 6 by 36 10,000 cubic feet compressor tank delivered.....	1,200 00
One 30-horsepower boiler, set complete, ready for steam.....	650 00
Additional buildings and machinery foundations.....	500 00
Compression gauges, valves, and piping connections to compression tank, compressor and boiler .....	150 00
Franchise and Railroad Commission expenses.....	200 00
Liability insurance during construction .....	150 00
Auto, necessary for construction work and general use.....	1,250 00
100 main to curb connections, complete.....	350 00
100 Sprague meters at \$6.15 delivered.....	615 00
100 Reliance regulators \$3.00 delivered.....	300 00
Labor, materials and supplies in original setting of 100 each meters and regulators .....	250 00
Supervision and engineering .....	1,500 00
<b>Total .....</b>	<b>\$19,987 00</b>

6. The applicant herein shall set up a proper depreciation reserve, as indicated in the foregoing opinion, in the sum or sums which shall be satisfactory to this Commission.

7. Oakdale Gas Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the stock and bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to this Commission, stating the sale or sales of said stock and bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. Oakdale Gas Company shall report to this Commission the numbers of the bonds issued under the authorization herein.

9. The authority herein given to issue stock and bonds shall apply to such stock and bonds as shall have been issued on or before January 1, 1915.

10. The authority herein given is conditioned upon the payment by Oakdale Gas Company of such fee as may be prescribed under the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of March, 1914.

---

Decision No. 1375, grade crossing; not printed. See end of volume.

DECISION No. 1376.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS  
AND ELECTRIC COMPANY FOR AUTHORITY TO ISSUE  
COLLATERAL TRUST NOTES AND TO PLEDGE BONDS  
AS SECURITY THEREFOR.

---

Application No. 1038.

*Decided March 25, 1914.*

---

Applicant authorized to issue \$7,000,000.00 face value of 5 per cent notes, \$5,000,000.00 of said notes to be used to redeem notes of a like amount now outstanding, and the balance for additions and extensions to present system.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Pacific Gas and Electric Company for authority, in effect, to continue a form of financing previously authorized by this Commission in its decision upon Application No. 746.

In the decision upon said Application No. 746 rendered on September 24, 1913, Pacific Gas and Electric Company was authorized to issue \$7,000,000.00 of 6 per cent gold notes, said notes to mature on July 1, 1914, and to be secured by \$5,000,000.00 of applicant's general lien bonds and \$5,000,000.00 of applicant's general and refunding mortgage bonds.

Under this authorization Pacific Gas and Electric Company has issued \$5,000,000.00 of said 6 per cent notes. It now proposes to call these notes at 100½ per cent of par, as provided in the agreement under which they were issued, and to issue in lieu of the \$5,000,000.00 in notes, \$7,000,000.00 of one year 5 per cent collateral trust notes. It is proposed to use \$5,000,000.00 of the new notes to redeem a like amount of the 6 per cent notes, and to use the remaining \$2,000,000.00 of the new notes for additions and betterments, as set forth in detail in connection with Application No. 552, previously filed by the Pacific Gas and Electric Company.

It is proposed that the new issue of \$7,000,000.00 of notes shall be secured by the same collateral as was the issue now to be redeemed.

The matters presented in this application were fully considered by this Commission in connection with Application No. 746, and a decision rendered thereon on September 24, 1913. The present application is, in effect, an extension of this authorization.

In previous considerations of this form of financing the Commission has stated that it views this method as in the nature of a temporary expedient and as a condition in its decision upon Application No. 746 required that Pacific Gas and Electric Company should present to the Commission not later than May 1, 1914, a financial plan for the payment or refunding of the \$7,000,000.00 of notes. The purpose was to bring about the substitution of a permanent financial plan for this temporary device. In recommending that the application herein be granted I do so adhering to the condition referred to which requires that a permanent plan of financing be evolved.

I submit the following form of order:

**ORDER.**

Pacific Gas and Electric Company having applied to this Commission for an order—

1. Authorizing it to issue \$7,000,000.00 of one year notes.

2. Authorizing it to execute to F. N. B. Close of New Jersey a trust agreement to secure said \$7,000,000.00 of notes.

3. Authorizing it to pledge as collateral security for said notes its 6 per cent convertible general lien bonds in the sum of \$5,000,000.00.

4. Authorizing it to pledge as collateral security for said \$7,000,000.00 of notes its general and refunding mortgage bonds of the par value of \$5,000,000.00.

5. Authorizing it to execute to Guaranty Trust Company of New York and William C. Cox of Sag Harbor, New York, as trustees under the general lien mortgage, and F. N. B. Close of New Jersey, as trustee, an agreement supplemental to its general lien mortgage.

6. Authorizing it to use the proceeds from the sale of said 5 per cent one year notes in the amount of \$2,000,000.00 for additions and betterments, as specified in Exhibit "B," attached to Application No. 552, or to discharge and refund obligations incurred for additions and betterments as set forth in said Exhibit "B," attached to Application No. 552, or to reimburse applicant's treasury for such additions and betterments.

And a hearing having been held and it appearing that the purposes for which said notes are to be issued are not in whole or in part chargeable to operating expenses or to income,

*It is hereby ordered* that Pacific Gas and Electric Company be given authority and it is hereby given authority as follows:

1. To issue collateral trust notes dated March 25, 1914, and maturing March 25, 1915, bearing 5 per cent interest, to the amount of \$7,000,000.00.

2. To execute to F. N. B. Close of New Jersey, as trustee, the trust agreement to secure said \$7,000,000.00 of notes substantially in the form of the draft thereof filed in connection with the application herein.

3. To pledge as provided in said trust agreement its 6 per cent convertible general lien bonds of the par value of \$5,000,000.00 (Series A, numbered 1 to 5,000, inclusive) as collateral security for said one year gold notes, being the same bonds now pledged as security for said 6 per cent gold notes.

4. To pledge as provided in said trust agreement its general and refunding mortgage gold bonds of the par value of \$5,000,000.00 (Series A, numbered M 25.431 to 30.430, inclusive) as collateral security for said 5 per cent one year gold notes, being the bonds previously authorized to be pledged by order of this Commission upon Application No. 746.

5. To execute to Guaranty Trust Company of New York and William C. Cox of Sag Harbor, New York, as trustees under the general lien mortgage, and F. N. B. Close of New Jersey, as trustee, an agreement supplemental to its general lien mortgage substantially in the form of the draft filed in connection with the application herein.

The authority herein granted to issue notes and pledge bonds is given upon the following conditions and not otherwise:

(a) The proceeds from the sale of said \$7,000,000.00 of notes shall be used for the following purposes:

(1) To discharge and refund 6 per cent gold notes of applicant dated July 1, 1913, in the sum of \$5,000,000.00.

(2) To provide for any additions and betterments as set forth in applicant's Exhibit "B" in connection with Application No. 552, on file with this Commission; to refund indebtedness incurred for such additions and betterments; or to reimburse applicant's treasury for expenditures from income not derived from the sale of stocks, bonds or notes for such additions and betterments.

(b) Said \$5,000,000.00 of notes to be used to refund a like amount of 6 per cent notes shall be sold at not less than 965.61 for each \$1,000.00 note.

(c) Said \$2,000,000.00 of notes shall be sold under the terms of the trust agreement in the form of the draft thereof filed in connection with the application herein and at a price not less than a figure to be set hereafter by this Commission.

(d) Pacific Gas and Electric Company shall file monthly reports with this Commission stating the amount of 5 per cent collateral trust notes issued under the authorization herein given. Such reports shall be filed on or before the twenty-fifth day of each month covering such sale or sales during the month previous.

(e) Pacific Gas and Electric Company shall present to this Commission not later than May 1, 1914, a financial plan under which it shall arrange for the repayment or refunding of the \$7,000,000.00 of 5 per cent notes herein authorized or such part thereof as may have been issued.

(f) Pacific Gas and Electric Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds from the sale of said bonds and the notes hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission, in accordance with the Commission's General Order No. 24, stating the sale or disposition of such bonds or notes during the preceding month, terms, and conditions of such sale or other disposition, the moneys realized therefrom, and the use and application of such moneys.

(g) Nothing in this order shall be construed as giving the applicant herein authority to sell said \$5,000,000.00 of convertible general lien bonds, and said \$5,000,000.00 of general and refunding bonds herein authorized to be pledged as collateral security for \$7,000,000.00 of notes.

(h) The authority herein given to Pacific Gas and Electric Company to issue notes and to pledge bonds as collateral security therefor shall

apply to such notes and to such bonds as shall have been issued or pledged respectively on or before January 1, 1915.

(i) Provided that applicant shall not charge to capital account any sum of interest or discount paid as a result of the issuance of notes herein authorized greater than the interest regularly charged for money expended for capital account on the books of applicant.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 25th day of March, 1914.

---

DECISION No. 1377.

IN THE MATTER OF THE APPLICATION OF MARIN COUNTY  
ELECTRIC RAILWAYS FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION AND OPERATION OF A STREET RAILWAY SYSTEM  
IN MILL VALLEY, AND FOR AUTHORITY TO ISSUE  
STOCKS AND BONDS.

---

Application No. 947.

*Decided March 26, 1914.*

---

*Held*, Applicant granted a certificate of public convenience and necessity to construct and operate a street railway under a franchise secured from the town of Mill Valley, provided said franchise is amended to conform with certain requirements of the Commission.

*Held*, Applicant granted authority to issue \$67,000.00 par value of stock, to be sold at par only to residents or property owners of Mill Valley; proceeds of said stock to be used in the construction of applicant's line of railway as provided in its estimate, with certain limitations of amounts proposed for promotion purposes.

*Held*, Applicant shall file for the approval of the Commission, a prospectus of its proposed road, which shall be furnished to each proposed stock purchaser, and shall not begin construction of said road until \$35,000.00 has been secured and deposited to its credit.

*Brewster F. Ames*, for Applicant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

An application was filed with this Commission on January 17, 1914, by Marin County Electric Railways for a certificate of public convenience and necessity for the operation of a street railway system in Mill Valley, Marin County, of three and one half miles, under a fran-

chise granted by the town of Mill Valley; and for authority to sell \$50,000.00 in stock and \$60,000.00 in bonds for the purpose of constructing the proposed street railway.

A hearing was held on January 23, 1914, and thereafter, on March 10, 1914, Marin County Electric Railways filed an amended application in which it asked for the certificate of public convenience and necessity, as before, but for \$75,600.00 in stock and no bonds.

This corporation was organized on December 24, 1913, with Mr. Brewster F. Ames as president and Mr. W. Wesley Hicks as treasurer and manager.

The line of railway as contemplated in this application, will radiate in three directions from the town park near the Northwestern Pacific depot in the town of Mill Valley. One branch will extend up Throckmorton avenue to a point near the Cascades; another branch will penetrate into Blythedale Canyon, and the third branch will extend southward to the high school building between Mill Valley and Sausalito.

The line will extend from a point on Cascade drive at Cascade Reservation, along Cascade drive to Throckmorton avenue; thence along Throckmorton avenue to Blythedale avenue; thence along Blythedale avenue to Buena Vista avenue; thence along Buena Vista avenue to Town Park; thence across Town Park to Euterpe street; thence along Euterpe street to Thalia street; thence along Thalia street to Blythedale avenue; thence along Blythedale avenue to Walnut avenue; thence along Walnut avenue to Locust avenue; thence along Locust avenue to Sycamore avenue; thence along Sycamore avenue to county road; thence along the site of the county road to the high school, a total distance of 2.72 miles. A branch will commence on Cottage avenue at Wren Lane and run along Cottage avenue to Eldridge avenue; thence along Eldridge avenue to Blythedale avenue; thence along Blythedale avenue to Throckmorton avenue, connecting with the Throckmorton avenue line, a total length of .78 miles. The total length of the entire line will be 3.50 miles.

It is proposed to construct an overhead trolley system with 60-pound rails, iron poles to be erected in the heart of the town and wooden poles on the balance of the line. The space between the tracks, and for two feet on each side thereof, is to be macadamized and oiled. The equipment at the beginning is to consist of two cars, costing \$5,000.00 each. The applicant proposes to purchase power from the electric company now supplying Mill Valley.

A copy of the franchise granted by the town trustees of Mill Valley has been filed with this Commission, and contains the usual provision for the payment to the city of 2 per cent of the gross annual receipts, requirements for the maintenance of the track and roadway, specifications as to the rails, provision for a time schedule which will afford

connection with all trains carrying passengers to or from San Francisco from 6 o'clock a. m. to 10 o'clock p. m., conditions fixing a maximum 5-cent fare and half rates for school children, provision by which the town of Mill Valley may purchase the railway properties at any time after twenty-five years at a price to be fixed by three appraisers, and other conditions for the general operation and maintenance of the system.

The franchise clauses relating to the construction and operation of the line should be upon a basis whereby the initial construction and plan of operation adopted by the company shall be satisfactory to the town authorities. The clauses enabling the town of Mill Valley to purchase the system should be cleared of any doubt, by stipulation or amendment, as to the right of the town of Mill Valley to take over the system whenever it might so elect, in the method prescribed in the Public Utilities Act. The applicant originally estimated the cost of the system at \$110,000.00. Subsequently, it filed a revised estimate showing a total cost of \$100,988.88. Thereafter in its amended petition, applicant eliminated one branch of the railway and filed an estimate in the sum of \$67,814.95. This estimate provides for the construction of the Throckmorton avenue and the high school branches of the railway, a total distance of 2.78 miles. This estimate was presented in detail by applicant as follows:

Right of way.....	\$800 00
Other land used in electric operation.....	400 00
Grading at 45 cents per cubic yard.....	3,327 20
Ballast .....	4,928 00
Ties, at 60 cents.....	4,436 00
Rails, at \$40.75.....	10,858 00
Track fastenings and joints.....	3,354 40
Frogs and switches.....	200 00
Oiling roadway.....	140 00
Track laying and surfacing, at \$1,200.00.....	3,360 00
Roadway tools.....	275 00
Elevated structures and foundations.....	400 00
Culverts .....	400 00
Poles and fixtures.....	3,640 00
Transmission system.....	800 00
Distribution system, including rail bonding.....	2,760 00
General office fixtures.....	300 00
Shops and car houses.....	1,200 00
Shop equipment.....	500 00
Engineering, 6 per cent—Class 1 to 39, inclusive.....	2,485 15
Injuries and damages (insurance).....	200 00
Cars, 2 .....	10,000 00
Miscellaneous equipment .....	480 00
Law expenses: Approximately 2 per cent, classes 1 to 49, inclusive, Brewster F. Ames, for services rendered, \$500.00 in cash and \$500.00 in stock (allowed by directors).....	\$1,000 00
Estimated law expenses during construction.....	214 00
	<hr/>
	1,214 00
Taxes .....	140 00



<i>Brought forward</i> .....	\$56,597 75
Miscellaneous :	
General offices during construction for account- ing, engineering, bond salesman, etc.....	\$600 00
Accountant during construction.....	1,000 00
Stenographer .....	600 00
Office expenses, stationary, etc.....	500 00
Advertising .....	500 00
Telephone service .....	100 00
	<hr/>
	3,300 00
<i>Preliminary expenses.</i>	
Promotion, W. Wesley Hicks, to be paid in stock..	\$5,000 00
W. Wesley Hicks, cash for expenditures made for the benefit of the corporation.....	2,500 00
State incorporating fee.....	76 25
Cost of franchise.....	240 95
Printing stock certificates (estimated).....	100 00
	<hr/>
	7,917 20
	<hr/>
Total cost of road.....	\$67,814 95

The applicant submitted a statement originally estimating its gross annual earnings from a three-branch system at \$41,853.60, and its operating expenses at \$37,096.78. In a revised statement, the applicant estimated its annual revenue at \$25,133.90 and its operating expenses at \$19,491.96. These estimates included among the expenses an annual interest charge of \$3,600.00 on \$60,000.00 of 6 per cent bonds originally proposed.

In its amended petition, Marin County Electric Railways estimates that a street railway built under the modified plan would earn gross annually \$20,166.25, and that it could be operated for \$12,949.84.

I shall take up first the application for a certificate of public convenience and necessity. Marin County Electric Railways proposes to operate eventually three branches from the center of the town of Mill Valley. The line extending up Blythedale Canyon will be in competition with the Mill Valley and Mt. Tamalpais Railway, which operates through traffic from the Northwestern Pacific Railroad depot to Mt. Tamalpais and gives a local service into Blythedale Canyon.

From the center of Mill Valley, on the Sausalito road, Marin County Electric Railways will be in competition with the Northwestern Pacific Railroad Company, which operates between Mill Valley and Sausalito by electric train, and thence to San Francisco by boat. The third branch of the proposed street railway system will operate along Throckmorton avenue to the Cascade Reservation. There is now no railway line running to this point. The service to this district is given by carriages from the Northwestern Pacific depot in Mill Valley.

It appears, therefore, that on two of its three branches the applicant will encounter competition. Neither the Northwestern Pacific Railroad nor the Mill Valley and Mt. Tamalpais Railway Company made formal appearance at the hearing upon this application, although proper notice

was sent to both. It may be assumed, therefore, that neither of these companies who may be affected by the entrance of another railway line have seen fit to enter protest.

Mr. Hicks, witness for applicant, testified that he believed the Mill Valley and Mt. Tamalpais Railway would discontinue local service along Blythedale Canyon if such service were assumed by Marin County Electric Railways. However, no railway may discontinue service without the approval of this Commission.

It may be assumed, therefore, as the facts now exist, that Marin County Electric Railways would be in a competitive field as to two of the three branches of its line. We may, for the present, however, disregard the Blythedale Canyon branch, as it is omitted from applicant's amended petition.

Some letters have been filed with the Commission in regard to the service along Blythedale Canyon now given by the Mill Valley and Mt. Tamalpais Railway, and in regard to the service to the high school given by the Northwestern Pacific Railroad Company. No evidence was introduced, however, upon which could be predicated a finding that the service of either the Mill Valley and Mt. Tamalpais Railway along Blythedale Canyon or the Northwestern Pacific Railroad from Mill Valley to the high school was inadequate. No finding will be made as to these points. Mr. Hicks offered, on behalf of the Marin County Electric Railways, to establish a lower fare than now prevails on the Northwestern Pacific Railroad for service between Mill Valley and the high school.

Some evidence was introduced to indicate that there is a real demand for improved service along Throckmorton avenue in the direction of the Cascade Reservation and the neighboring hillsides. Traffic between the Northwestern Pacific station and these points is now handled by means of carriages, which charge a rate of fare varying from 25 cents to \$1.00, based upon the distance and the number of passengers in a carriage.

As a finding upon an application for a certificate of public convenience and necessity requires an examination of the financial condition of the applicant, I shall pass to a consideration of that part of the application which asks for authority to issue stock.

Marin County Electric Railways has an authorized issue of 1,000 shares of stock of the par value of \$100.00 per share. It is proposed herein to issue 756 shares of this stock. It is the purpose to issue 50 of these shares to W. Wesley Hicks for promotion and services, and 5 shares to Brewster F. Ames for legal services. It is the intention to sell the remaining shares at 90 per cent of their par value to provide funds for the construction and equipment of the railway.

In order to determine that this stock may properly be issued, it will be necessary to examine into the items of expenditure as enumerated in the application. I believe applicant's estimate for grading at 45 cents per cubic yard to be low, but I believe its item for ballast to be unduly high. However, these items will approximately balance in the aggregate.

The estimates include \$5,000.00 in stock to Mr. Hicks for promotion services and \$2,500.00 in cash for cash expenditures made for the benefit of the corporation. The estimates also include \$500.00 in stock and \$500.00 in cash to Mr. Brewster F. Ames for legal services. There is also included an item of \$3,300.00 for miscellaneous expenditures, which appear to be expenditures incidental to the sale of the corporation's securities. In other respects, the estimate may be accepted as a working basis subject to correction after proper surveys shall have been completed.

I shall recommend that the allowance of Mr. Hicks be placed at \$5,500.00, which would be more in keeping with amounts allowed for similar services in other enterprises.

I shall recommend that \$2,500.00 of this amount be made payable in cash and the balance in stock.

I shall recommend also that the legal expenditures to be incurred be limited, for the present, to \$500.00.

The applicant presented its revised traffic estimate as follows:

Travel between Mill Valley Canyon (via Throckmorton avenue line), depot of Northwestern Pacific Railroad and business part of town: 150 daily round trip fares (week days), one half original estimate .....	\$15 00
High school children, grammar school children and manual arts pupils, from all parts of town: 195 school children riding to school 140 days of the year are equal to 70 children riding every day of the year. 70 children at half fare, round trip....	3 50
Children riding before and after school hours on school days, Saturdays and Sundays, vacations and holidays, and paying full fare (as allowed under franchise), estimated on the basis of one half the school attendance riding on 225 non-school days: one half of 195, 97 full fares for 225 days of the year, which are equal to 58 children riding every day of the year and paying full fare.....	5 80
100 passengers from Tamalpais Park to business section of town and to main depot of the Northwestern Pacific (week days), round trips .....	10 00
30 passengers from Tamalpais Park and vicinity to depot Northwestern Pacific at high school and return.....	3 00
20 round trip passengers from Marin Heights, high school district and power house to business part of town.....	2 00
Daily average travel (week days) of visitors to Old Mill and Cascade reservations, including picnickers, etc., 20 round trips...	2 00
Total daily revenue.....	\$41 30

Total weekly revenue for six days.....	\$247 80
Sunday travel by residents (not including school children taken care of above).....	14 00
Sunday travel: visitors, picnickers, trampers, tourists to all points of interest, 1,250 round trips (one half original estimate) .....	125 00
<b>Weekly revenue .....</b>	<b>\$386 80</b>
Daily revenue (average).....	\$55 25
Yearly revenue (365 days).....	\$20,166 25
Total daily round trips, week days .....	448
Total daily single trips, week days .....	896
Sunday round trip fares .....	1,356
Sunday single trip fares .....	2,712
Round trips for 1 day (average).....	577
Single trips for 1 day (average for week).....	1,154

A statement of estimated operating expenses was submitted by the applicant in the following detail:

*Monthly operating expenses.*

Power, at 1½ cents per car mile for 4,455 car miles.....	\$66 82
Four platform men at \$90.00.....	360 00
Manager .....	125 00
Mechanic .....	75 00
Accountant .....	125 00
Stenographer .....	50 00
Office rent .....	25 00
Incidental and office expenses.....	25 00
<b>Monthly .....</b>	<b>\$851 82</b>

**Annual operating expenses..... \$10,221 84**

*General expenses, maintenance and depreciation.*

Cars, 4 per cent of \$10,000.00.....	\$400 00
Building, 5 per cent of \$1,200.00.....	60 00
Trolley, etc. ....	180 00
Track and accessories, 5 per cent of \$20,972.00....	1,048 00
Bonds (electric) .....	40 00
Contingencies .....	1,000 00
	<b>2,728 00</b>

**Total operating and general expenses..... \$12,949 84**

Certain adjustments in the schedule of operating expenses are necessary to meet actual conditions. I believe it is unnecessary to point out at this time the details in which these schedules need further adjustment, and merely suggest to the applicant that it amend them to fit actual operating conditions based upon definite and fixed schedules. A modification will be found necessary in the time of the platform men and in the sums to be paid for electric power and maintenance.

In its amended application, Marin County Electric Railways asks specifically for authority to appropriate the proceeds from 322 shares of stock for the construction of the Throckmorton avenue branch, and for authority to appropriate the proceeds from 379 shares of its stock

for the purpose of constructing the high school branch of the line. It also asks for permission to begin construction of the Throckmorton avenue branch as soon as it has placed \$25,000.00 in its treasury. It requests permission, further, to expend \$1,000.00 per month from the funds of the company, previous to beginning the construction work, for the purpose of maintaining offices, carrying on engineering work, advertising, traveling, etc.

It may be accepted that the construction of such a line of railway as is proposed in this application would be of great convenience to the people of Mill Valley, particularly to those along Throckmorton avenue and the Cascade section and adjoining hillsides who travel daily to San Francisco.

Mill Valley is widely known for its scenic beauty and salubrious climate. Its summer population is greatly augmented by an influx of residents from the other cities about San Francisco Bay. It is visited by tourists from all parts of the world who are attracted by the scenic woods and Mt. Tamalpais. The Federal census taken in the winter of 1910 showed a population of 2,784 persons. The population at the present time is estimated as approximately 3,500, and this, it is stated, is increased during the summer months to 5,000 or 6,000 persons.

This is a growing community, and a street railway system will undoubtedly prove a convenience for present residents and an attraction for prospective residents. I am persuaded, however, that the construction of a street railway in Mill Valley should be delayed, if necessary, until it may be constructed properly and financed properly to the end that it may be operated successfully and for the convenience of the people residing in Mill Valley. It would be useless to authorize the construction of a street railway improperly financed and overburdened with promoters' profits, for such an enterprise would be embarrassed early in its career through the absorption of its revenue by securities issued for promoters' purposes.

Furthermore, from the data at hand I am not impressed with the statement that the stock of this railway would furnish an inviting investment. Letters have been filed with this Commission, however, by residents of Mill Valley, expressing their faith in this enterprise. It is the intention of the applicant to offer these securities largely on an investment basis. Testimony was offered by Mr. A. Harper, financial agent of the applicant, that it was his purpose to sell the stock broadcast if authorized by the Commission. Mr. Harper testified that the securities would be "scattered all over." He stated specifically that he had people interested in Vallejo, Napa, Chico and Burlingame. Mr. Harper testified further that he believed this enterprise would pay as high as 20 per cent on the stock.

I believe it is well here to reiterate the position previously taken by this Commission on matters of this kind. When a community desires that a certain utility or branch of a utility be constructed and is willing to incur the financial responsibility, and such responsibility is assumed with full knowledge that such benefits as may accrue must come from other sources than through returns upon the stock of such an enterprise, this Commission will be slow to interpose its objection. When it is proposed, however, to inaugurate a new enterprise, and when serious doubt exists as to the value of the securities to be issued thereon, and when it is proposed to sell these securities in distant communities lacking in proper knowledge of the enterprise, the Commission will exercise its authority to prevent the sale broadcast of such securities.

Such an issue was presented in Application No. 770, of San Rafael and San Anselmo Valley Railroad Company for authority to issue stocks and bonds. In its decision upon that application on November 11, 1913, the Commission said:

"In view of the facts as developed at the hearing and herein set forth, the course to be pursued by this Commission on this application is not entirely free from doubt. While the Commission has repeatedly pointed out that it can not guarantee the success of a public utility to which it has given authority to issue stock or bonds, the Commission can not escape the conclusion that purchasers of public utility securities have at times invested their money at least partly in reliance on this Commission's authorization, without making the independent investigation which they ought to make. It is primarily a people's project. Persons living in the communities affected or owning property there, have subscribed to the railway company's stock, not in the hope of securing dividends, but to increase the value of their property and to enhance the prosperity of their respective communities. Practically all the money to be derived from the sale both of the stock and of the bonds will have to be secured from people living in these communities, or owning property there, who fully understand the conditions. If these people are willing to build this line of railway and thereafter to pay to keep it in operation, if necessary, I am of the opinion that this Commission should be slow to say to them that they can not do so, simply because it is probable that for some time at least the railway will not pay expenses. Under all the circumstances which surround this project, I am of the opinion that this Commission's action should be confined to prescribing such conditions as may be necessary to safeguard reasonably the construction of the enterprise, to see to it that moneys are not expended until it seems reasonably certain that the enterprise can be completed, and to insure the sane and honest expenditure of such moneys as may be collected from the sale of stock and bonds."

In that case it was the intention to offer the securities of the railway company to persons financially interested in property that would be affected by the construction of the railway line. The projector of this enterprise stated frankly that this stock would be sold only to parties interested in property in the vicinity of the railway line, with no promise of benefits to accrue in the form of dividends and with the added assurance that the only benefits that could be expected for some time to come would be in the form of a possible increase in land values along the route traversed by the railway.

In the present application we have a different situation. It is proposed to issue the securities on a purely investment basis. It is my belief that the information presented to this Commission would not at this time warrant it in authorizing the securities to be sold broadcast to small investors.

I do not desire to cast unnecessary doubt upon this enterprise. If the people who will be benefited by the railway service believe that such benefit would warrant the assumption by them of the financial obligations involved, we suggest that this matter may be viewed in a different light. Although the applicant has expectations of a generous response to its offerings of securities, it has presented in evidence cash subscriptions amounting to \$3,200.00.

I am led to believe, therefore, that safeguards should be thrown about the sale of the stock of this applicant. This project must be regarded in the nature of a promotion enterprise. It is proposed to raise some \$67,000.00. The projectors do not come forward with money in hand to finance the enterprise, nor have they submitted evidence of either ability or inclination to supply a substantial proportion of the sum needed. As the matter has been presented to this Commission, the proponents intend to secure, by sale of stock to outsiders, practically all of the money necessary to build and equip the railway. They propose, further, to reimburse themselves from the proceeds of stock so sold, and, further, to compensate themselves in stock for their promotion services.

Purchasers of this stock must share, not only in the hope of reward, but in the responsibility for losses as well. Because of the nature of this enterprise, no investor should be encouraged to purchase stock until he has been placed in possession of full information bearing upon the enterprise. The order in this case will provide, therefore, that the applicant must submit to this Commission for its approval a prospectus for the benefit of prospective purchasers of stock. I shall recommend, also, that the authorization in this matter be surrounded by additional conditions as may seem necessary.

I recommend that the application for a certificate of public convenience and necessity and for authority to issue stock be granted upon certain conditions, and submit the following form of order:

**ORDER.**

Marin County Electric Railways having made application to this Commission for a certificate of public convenience and necessity to operate a system of street railways in and adjoining the town of Mill Valley, Marin County, under franchises granted by the town of Mill Valley, as set forth in the preceding opinion,

*It is hereby ordered* that a certificate of public convenience and necessity be granted to Marin County Electric Railways for the purposes aforesaid, on the condition, however, that the franchise granted to Marin County Electric Railways by the town of Mill Valley be amended as indicated in the opinion herein, or that a stipulation be entered into providing that nothing in said franchise shall be construed as a waiver, on the part of the town of Mill Valley, to acquire the street railway properties of Marin County Electric Railways, as permitted under the Public Utilities Act; and on the condition, further, that said amended franchise or said stipulation shall be approved by this Commission in a supplemental order.

Marin County Electric Railways having further made application to this Commission for authority to issue 756 shares of stock of the par value of \$100.00 per share, for the purpose of constructing a line of street railway in Mill Valley, and a hearing having been held, and it appearing to this Commission that the purposes for which it is proposed to issue said stock are not, in whole or in part, chargeable to operating expenses or to income,

*It is hereby ordered* that Marin County Electric Railways be granted authority, and it is hereby granted authority, to issue 670 shares of its capital stock of the par value of \$100.00 per share, said stock to be issued upon the following conditions, and not otherwise:

(1) Said stock shall be sold so as to net applicant the par value thereof.

(2) Said stock shall be sold only to bona fide residents of Mill Valley or to property owners in Mill Valley.

(3) Said stock shall be sold only after the applicant herein shall have received the approval of this Commission of a prospectus setting forth the salient facts pertaining to the organization and finances of said Marin County Electric Railways.

(4) Said prospectus shall contain detailed estimate of annual receipts and of annual expenditures adjusted in accordance with the suggestions contained in the foregoing opinion.

(5) Said stock shall be sold only to persons who shall have previously been furnished with a copy of said prospectus.



(6) The proceeds to be derived from the sale of said stock shall be used for the purposes of construction set forth in the estimate in detail appearing in the foregoing opinion, with the exception, however, that the items therein appearing for grading and ballast may be used for either grading or for ballast; that the total amount for legal expenditures shall not exceed \$500.00; that the total amount apportioned to Mr. W. Wesley Hicks shall not exceed \$5,500.00; and that the sum apportioned for "miscellaneous" may be expended only for miscellaneous items of construction expense.

(7) From the proceeds from the sale of said stock, the sum of \$2,500.00 in cash may be paid to W. Wesley Hicks for expenditures on behalf of the company, and \$500.00 to Brewster F. Ames for legal services. The sum of \$2,500.00 shall be paid to Mr. Hicks only after the street railway system shall have been entirely completed.

(8) Marin County Electric Railways may issue to W. Wesley Hicks 30 shares of its capital stock for promotion services, 15 of said shares when the company shall have the sum of \$35,000.00 in its treasury, and the remaining 15 shares when the company shall have completed its line of railway as herein projected.

(9) Pending the sale of said \$35,000.00 of stock, no expenditure and no obligation shall be incurred chargeable to Marin County Electric Railways.

(10) Marin County Electric Railways shall enter upon the construction of its street railway herein projected only after it shall have collected from stock subscriptions the sum of \$35,000.00, and shall have received a supplemental order from this Commission authorizing it to begin such construction work.

(11) When applicant shall have collected, from stock subscriptions, the sum of \$35,000.00, it shall submit to this Commission a list of subscribers, with the address and amount subscribed by each.

(12) All moneys obtained from the sale of stock shall be deposited by Marin County Electric Railways in a bank or banks in Marin County as trust funds, on the express condition that if a total sum of \$35,000.00 shall not be so deposited within six months from the date of this order, or such further time as the Railroad Commission may grant, said moneys shall be repaid to the persons who paid them, either in toto or diminished by the ratable proportion of such expenditures as the Railroad Commission, in the mean time, may have authorized.

(13) Marin County Electric Railways shall keep separate, true, and accurate accounts, showing the receipt and deposit of all funds secured in payment for or on subscriptions to the stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission showing the receipt and deposit of all such moneys, the stock issued during

the preceding month, and the terms and conditions of the issue, all in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(14) The authority herein given shall apply to such stock as shall have been issued on or before October 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 26th day of March, 1914.

---

Decision No. 1378, grade crossing; not printed. See end of volume.

DECISION No. 1379.

IN THE MATTER OF THE APPLICATION OF LOS ALTOS  
WATER COMPANY FOR AUTHORITY TO INCREASE ITS  
RATES FOR WATER.

---

Application No. 976.

*Decided March 28, 1914.*

---

Application of the Los Altos Water Company to increase its rates approximately twenty-five per cent over the existing schedule granted, new schedule to become effective April 1, 1914.

*C. E. Miner*, for Applicant.

REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application for authority to increase water rates approximately twenty-five per cent over the existing rates.

The Los Altos Water Company was incorporated under the laws of this State on October 19, 1907, for the purpose of constructing, operating and maintaining a system of water works to supply water to the unincorporated town of Los Altos and adjacent territory in Santa Clara County. The corporation was incorporated by the owners of the Altos Land Company, for the purpose of supplying water to lands which that company had purchased and was placing on the market. The company's water system was completed in March, 1908. Its capital stock is still owned by people who are interested in the land company.

The applicant pumps water from two wells located within the Los Altos tract and supplies water to some 90 customers, of whom 87 are under meter and 3 without meter. The latter three take such small amounts of water that they would pay only the minimum in any event, even if meters were installed.

The applicant claims that the original cost of its water system was \$30,366.52, and that it installed during 1913, new equipment costing \$2,424.48, thus making the total cost of the system \$32,791.00. This amount is probably somewhat less than it would cost to reproduce the system, for the reason that no charge has been made for services performed during construction by engineers and superintendents of the land company. Mr. James Armstrong, one of this Commission's hydraulic engineers, testified that it would cost \$35,735.00 to reproduce the property new, and that its depreciated reproduction value is about \$33,271.00. He estimated an annual depreciation amounting to \$772.55.

The rates at present charged by Los Altos Water Company are as follows:

For the first 4,000 gallons.....	\$1 00
For each additional 1,000 gallons.....	20 per 1,000 gals.
Minimum charge per month.....	1 00

The rates which applicant desires to establish are as follows:

For the first 4,000 gallons.....	\$ 1 25
Over 4,000 gallons to and including 10,000 gallons.....	25 per 1,000 gals.
Over 10,000 gallons.....	20 per 1,000 gals.
Minimum charge per month.....	1 25

The application for authority to increase the rates is based on the claim that the revenue produced by the existing rates is not sufficient to pay even operating expenses and maintenance. Applicant asks rates high enough only to pay operating expenses and maintenance, with no allowance for return on the investment or for depreciation. This claim is apparently made on the theory that the payments made for the land bought from the land company have been sufficient to pay for the investment of the water company made by or through the land company.

The hearing on this application was held in Los Altos on March 20, 1914. At the hearing applicant submitted the following estimated operating charge for the year 1914:

Pump labor at \$75.00 per month (of which sum \$250.00 per year is chargeable to work for the land company, leaving to be charged against the water company \$650.00).....	\$650 00
Lubricants .....	30 00
Electric power for pumping.....	600 00
Ordinary repairs to pump equipment and wells.....	150 00
Extraordinary repairs to pump equipment and wells (being the sum of \$1,140.47, expended in the year 1913, distributed over a period of five years).....	228 10
Repairs to distributing mains.....	5 00
Lease for pipe line to Peninsular Railroad Company.....	2 00
Advertising, telephone, stamps, drayage, freight and express.....	67 50
Insurance .....	25 00
Office rent at \$10.00 per month.....	120 00
Taxes .....	122 95
Superintendent, general manager, bookkeeper at \$100.00 per month .....	1,200 00
Total .....	\$3,200 55

I consider that the item of \$5.00 for repairs to distributing mains is too small and that at least \$25.00 should be allowed for this item. This would make a total of \$3,220.55. All of these items have been carefully examined and are reasonable, with the possible exception of the salary allowed to the superintendent, general manager and bookkeeper. Mr. Miner, who performs these functions, also conducts a real estate, loan and insurance business and is the local agent of the land company. He testified that he receives a salary of \$125.00 per month, of which \$25.00 is paid by the land company for keeping its books and attending to its affairs other than the sale of property, and that \$100.00 is paid by the water company. It will appear hereafter that even if the sum of \$75.00 per month only is allowed for his services to the water company, so that the total operating expenses would be reduced to \$2,900.55 per year, the rates now asked for would appear to be fair and reasonable rates.

The applicant submitted the following statement of its income from water sales in the past under the existing rates:

July, 1910, to December 31, 1910.....	\$701 41
1911.....	1,367 20
1912.....	1,883 68
1913.....	2,115 36

Mr. Miner testified that the proposed rates would result in a revenue of approximately \$2,800.00 during 1914, but that in reaching this conclusion, he had not taken into consideration any increase in the business. The average number of consumers for 1910 to 1913, inclusive, is as follows:

Last six months of 1910.....	36
1911.....	43 3/10
1912.....	62 4/10
1913.....	78 2/10

It thus appears that the percentage of growth in 1912 over 1911 was 44 1/10 per cent, and that the percentage of growth in 1913 over 1912 was 25 3/10 per cent. Mr. Miner estimated that during the year 1914, the rate of increase would be approximately 15 per cent. The proposed rate amounts to an increase of approximately 25 per cent over the existing rates. Estimated on this basis, the rate of return for 1913 and 1914, under the existing rates and under the proposed rates, would be as follows:

	Existing rates	Proposed rates
1913 .....	\$2,115 36	\$2,641 20
1914 (15 per cent increase).....	2,432 66	3,010 83

It will thus be seen that if the proposed increase is allowed, and if we estimate an increase of 15 per cent in the business for the year 1914, the

total resultant revenue, being \$3,040.83, will be \$280.67 less than the operating and maintenance expenses, if a salary of \$100.00 per month is allowed to the superintendent, general manager and bookkeeper. If the allowance for salary is reduced to \$75.00, the revenue will be somewhat in excess of the operating and maintenance charges, but if an allowance is made for contingencies, or if the expected increase in business is not realized the revenue will barely be sufficient to meet even the operating expenses, even though the allowance for the manager's salary is reduced to \$75.00 per month.

From a careful examination of all the facts bearing on the question, I am of the opinion that the request to increase the rates is reasonable and that it should be granted. It should be borne in mind in this connection that no allowance whatsoever is being made for return on the investment or for depreciation. Although notice of the hearing was sent to each consumer, no one appeared in opposition thereto. Mr. J. S. Merrill appeared to secure information but did not oppose the granting of the application.

While this inquiry is primarily one of rates, I desire to draw attention to the practice of this company in charging the sum of \$12.50 for tapping and installing each new service connection. As this Commission has held in *City of Glendale vs. Title Guarantee and Trust Company*, trustee for the Glendale Consolidated Water Company (Vol. II, Opinions and Orders of Railroad Commission of California, page 989, and the cases therein referred to), we believe it is as much the duty of a water company to install the service connections as to install its pumps and reservoirs and mains. The cost of such connection is a proper charge to capital account, and should be considered in establishing the rate. While we do not desire to make any order in this case on this subject, we would suggest to the applicant that it give due consideration to this question, with a view of eliminating this charge unless some very good reason appears to the contrary.

I submit herewith the following form of order:

**ORDER.**

Los Altos Water Company having applied for authority to increase its rates charged for water to a rate of \$1.25 for the first 4,000 gallons, 25 cents for all water over 4,000 gallons up to and including 10,000 gallons, and 20 cents per thousand gallons for all water over 10,000 gallons, with a minimum charge of \$1.25 per month, and a public hearing having been held upon said application, and the Commission finding that the rates which applicant desires to charge are just and reasonable rates.

*It is hereby ordered that said application be and the same is hereby granted, and applicant is hereby authorized to file with this Commission a schedule showing said rates, to become effective on and after April 1, 1914.*

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of March, 1914.

---

DECISION No. 1380.

IN THE MATTER OF THE APPLICATION OF COUNCIL OF THE CITY OF RICHMOND, STATE OF CALIFORNIA, FOR AN ORDER DIRECTING AND REQUIRING THE SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS TO CHANGE ITS TRACK ON WHAT IS KNOWN AS THE SUBWAY ON MACDONALD AVENUE, IN THE CITY OF RICHMOND.

---

Application No. 952.

*Decided March 30, 1914.*

---

*Held.* That the granting of this application would permit of the establishment of a dangerous crossing, and would be in violation of the clearance provisions of this Commission's General Order No. 26. Application denied.

*D. J. Hall*, for the City of Richmond.

*G. W. Mordecai*, for San Francisco-Oakland Terminal Railways.

*Geo. D. Squires*, for Southern Pacific Company.

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is an application by the council of the city of Richmond for an order directing the San Francisco-Oakland Terminal Railways to move and relocate its track in the southerly half of what is known as the subway under the Southern Pacific Company's tracks, on Macdonald avenue, in the city of Richmond, a distance of three and seven-tenths (3.7) feet northerly, in order to make room for an elevated sidewalk on the south side of said subway. The San Francisco-Oakland Terminal Railways refuses to move its track or to permit the same to be moved.

A hearing was held on the question of this Commission's jurisdiction in this application in the office of the Commission in San Francisco on February 21, 1914, before Commissioner Thelen, at which hearing the city of Richmond and the San Francisco-Oakland Terminal Railways were represented. Both parties contended that the Commission had jurisdiction in the above entitled proceeding, and requested that it assume such jurisdiction and proceed to a hearing of the issues involved. A hearing was thereupon held in San Francisco on March 9, 1914, at which the interested parties were duly represented, and testimony was taken concerning the matters contained in the application.

It appears that the northerly portion of said subway is occupied by a sidewalk and by a roadway for the general use of the public, and that the southerly portion is occupied by a track of the San Francisco-Oakland Terminal Railways. The center of the subway is taken up by the concrete piers and steel columns supporting the steel superstructure which carries the tracks of the Southern Pacific Company over this subway. The city council of Richmond maintains that the said roadway, owing to the increase in traffic on said Macdonald avenue, is no longer of sufficient width to accommodate the travel through said subway, and that it is the desire of the city, and necessity requires, that the sidewalk on the northerly side of the subway be removed, for the purpose of permitting all of the northerly side of the subway to be used for vehicles. It is proposed by the city that an elevated sidewalk be constructed along the south side of said subway, and that in order to construct said sidewalk and maintain the same, it will be necessary to move the railway tracks as heretofore indicated.

The railway company refuses to move its track as desired by the city, for the reason that if this sidewalk were constructed and the track moved, as proposed by the city, there would not remain sufficient clearance for the company's cars and trains to pass through said subway, and there would be considerable danger to pedestrians on the sidewalk leaning over the railing of the same, and to passengers leaning over the sides of the company's cars. The company further maintains that it is the possessor of franchises giving it the right to construct and maintain a single or double track street railroad through said subway, and to operate thereon passenger, mail, express and freight cars; and that it now avails itself of the privileges granted in said franchise, or intends in the future to so avail itself.

An investigation into the facts of the case develops that if the sidewalk were constructed as proposed by the city of Richmond, the side clearance between the company's widest existing cars and the railing

of the proposed sidewalk would be not more than twenty-five (25) inches, and that, if the company should avail itself of its privilege to operate freight equipment through this subway, the clearance then would be not more than twenty-three (23) inches.

This Commission in its General Order No. 26, effective January 1, 1913, orders that in all construction there shall, after the date of the order, be observed in this State, unless otherwise authorized or directed by this Commission, certain minimum clearances, and the particular paragraphs of this order pertaining to this matter read as follows:

“The minimum side clearance on each side of the center line of railroads and street railroads, for tunnels and bridges, shall be seven and one half ( $7\frac{1}{2}$ ) feet; for water stations, fuel stations, pole lines and all other side structures such clearance shall be eight (8) feet, except in case of double track electric railroads with center pole construction, when such minimum clearance shall be seven and one half ( $7\frac{1}{2}$ ) feet. For narrow gauge railroads and street railroads, the minimum clearance between the side of the widest car and any side structure, shall be thirty (30) inches;” and further,

“The minimum clearance between the center line of yard and industrial tracks of railroads and street railroads, and the sides—or nearest projection—of buildings and structures, including platforms of a height greater than four (4) feet above the top of rail, shall be eight and one half ( $8\frac{1}{2}$ ) feet;” and further,

“For narrow gauge railroads and street railroads the minimum clearance between the side of the widest car and any structure shall be, in the first case given above, forty-two (42) inches.”

It appears, therefore, that the minimum side clearance in this case, as established by the Commission, on each side of the center line of the track, shall be eight (8) feet, and that the minimum clearance between the side of the widest car and any side structure shall be thirty (30) inches. The last mentioned clearance is the minimum for “narrow gauge railroads and street railroads.”

If the San Francisco-Oakland Terminal Railways, as they propose to do, operate through this subway, their standard Key Route cars or standard broad gauge freight cars, even a thirty-inch clearance would not be sufficient. As stated heretofore, operation with the company's present widest car would result in a clearance of only twenty-five (25) inches, while a standard freight car would leave a clearance of only twenty-three (23) inches. The difference of five (5) or seven (7) inches, as the case may be, between the required minimum and the actual clearance, as it would exist were the sidewalk constructed as proposed, appears too great to be permitted by the Commission; and



I believe that the company's contentions as to the danger to pedestrians on the proposed sidewalk and to passengers on the cars are well founded.

The Commission's principal concern in matters of this kind is the adequate safeguarding, as far as it can be done, of human life and limb. In this case there is no question in my mind that the moving of this sidewalk from the north side of the subway to the south side, and the elevating of it in very close proximity to a track over which frequent and high-speed street car operation is being carried on, is a decided change from bad to worse. There would also be introduced another element of danger if this change were made. Pedestrians entering or leaving the subway in the west end of it would be compelled to cross the street railway track in order to reach the proposed sidewalk from the present sidewalk on the north side of the street. The question as to whether or not the city council of Richmond has the right, under the terms of the company's franchise, to intrude upon the railroad's right of way in the south portion of this subway, appears to be irrelevant to the matter under consideration.

It is my opinion that the application should be denied on account of its serious violations of the Commission's clearance order, No. 26. I therefore submit the following order:

#### ORDER.

Council of the city of Richmond, State of California, having applied to this Commission for an order directing and requiring the San Francisco-Oakland Terminal Railways to change its track on what is known as the subway on Macdonald avenue, in the city of Richmond, and a hearing having been held, and being fully advised in the premises, the Commission hereby finds as a fact that the granting of this application would result in a serious violation of its General Order No. 26, covering the regulations governing clearances and construction at crossings of railroads, street railroads, telegraph, telephone, signal, trolley and power lines, with each other and with streets and public highways; also other overhead and side clearances of railroads, street railroads and wire lines; and that such granting of said application would further result in seriously endangering the life of pedestrians using said subway and passengers using said street cars; and

*It is hereby ordered* that said application be, and is hereby, denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of California.

Dated at San Francisco, California, this 30th day of March, 1914.

## DECISION No. 1381.

## TOWN OF SISSON

vs.

## SOUTHERN PACIFIC COMPANY.

Case No. 507.

*Decided March 30, 1914.*

Supplemental order extending time in which defendant shall be required to construct its new depot in the town of Sisson, and modifying previous order so as not to require the installation of safety gates at Alma street crossing.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL ORDER.

The Commission having on March 9, 1914, made an order in the above entitled proceeding, ordering the defendant to, within thirty (30) days from the service on it of the order, present to the Commission, for its approval, plans for a passenger depot to be built on the defendant's property opposite Jessie street, in the town of Sisson; and to build within sixty (60) days after the approval by this Commission of such plans, on this location a passenger depot of lath and plaster, or of wood, or of a similar class of construction, and of such type and design as shall be approved by this Commission; and the Commission having further ordered that the defendant shall, within sixty (60) days from the service on it of the order, install on both sides of its main line track automatic crossing gates, to protect the crossing at Alma street, in the town of Sisson; and application having been made on March 18, 1914, by defendant, for a modification of the Commission's order, or a rehearing in this matter, said defendant representing that said order should be modified by granting a construction period of at least four (4) months instead of sixty (60) days, after the approval by the Commission of the plans for the new depot, or by providing that the construction work shall be prosecuted diligently to completion; and the defendant further asking for an amendment of the order by the striking out of the provision which requires installation of automatic crossing gates on both sides of its main line track, for the protection of the crossing at Alma street, in the town of Sisson; and it appearing upon further investigation that the defendant desires to advertise for bids and enter into a contract for the construction of said depot, and that the expense of rushing such work to completion within sixty (60) days after the plans are approved will result in a cost largely in excess of what the cost should be if the construction work were prosecuted with ordinary diligence; and that such a time limit would therefore impose

an extra financial burden detrimental to the interests of the defendant and the town of Sisson; and it appearing to the Commission that a time limit of three (3) months is a reasonable time to be set for the completion of this structure, and is fair both to the complainant and the defendant; and with reference to the installation of the crossing gates to protect the crossing at Alma street, in the town of Sisson, it appearing that the defendant is earnestly desirous of assisting the Commission in working out a practical method of affording real protection at that point, and that the danger at this crossing is confined practically to the school children, and that the Southern Pacific Company has declared its willingness to issue instructions to the rear brakeman of trains stopping at Sisson to watch children closely from a position at the rear of the train, and since the answering signal from the brakeman is always looked for before a train is started, the danger of any one being injured would then be greatly minimized, if not entirely eliminated, and further that the company is also willing to issue instructions to other brakemen to warn children away from trains and to make request on the Pullman Company asking that this company instruct its porters, who are attending vestibules from the ground at this station, to warn children away, and the Commission being of the opinion that this protection by several men is in this instance more adequate and effective than the protection by crossing gates, and is therefore willing to modify its order in this respect and to not require the installation of crossing gates at Alma street at this time, provided the instructions as outlined above are issued to its employees by the defendant, and carried out by such employees; and in view of the additional information submitted to the Commission, it appearing that another hearing is not necessary in this case, and that public interest will be served by a modification of the original order,

*It is hereby ordered* that the defendant shall, within thirty (30) days from the service on it of this order, present to the Commission, for its approval, plans for a passenger depot to be built on its property opposite Jessie street, in the town of Sisson; and shall within ninety (90) days after the approval by this Commission of such plans complete on this location a passenger depot of lath and plaster, or of wood, or of a similar construction, and of such type and design as shall be approved by this Commission, at a cost to the defendant of not less than six thousand (\$6,000) dollars.

This order shall supersede the order heretofore made on March 9, 1914, and such order is hereby revoked.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of California.

Dated at San Francisco, California, this 30th day of March, 1914.

## DECISION No. 1382.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF THE LOS ANGELES AND SAN DIEGO  
BEACH RAILWAY COMPANY.

---

Case No. 131.*Decided March 30, 1914.*

---

Proceeding on motion of Commission to ascertain various elements entering into the value of respondent's property. Terms defined.

*Findings of Fact:* (1) That the reproduction value of the operative physical property of respondent as of June 30, 1912, is the sum of \$554,589.77; (2) That the present value of the operative physical property of respondent as of June 30, 1912, is the sum of \$461,015.91.

*T. M. Leovy*, for Los Angeles and San Diego Beach Railway Company.

## REPORT OF THE COMMISSION.

EDGERTON and LOVELAND, *Commissioners*.

This proceeding was brought on the Commission's own initiative for the purpose of ascertaining various elements entering into the value of the property of the Los Angeles and San Diego Beach Railway Company.

The term "original cost," as used in this opinion means the actual expenditures chargeable to capital account in accordance with the classification of expenditures for road and equipment, as prescribed by the Interstate Commerce Commission for steam roads, made by the railway company for its operative property, in the State of California, as of June 30, 1912.

The term "reproduction value," as used in this opinion, means the estimated cost in cash of acquiring the operative right of way and other real estate, and of reproducing in the condition in which it was acquired the other physical property of the railway company in the State of California, as of June 30, 1912, to which are added overhead expenditures for engineering, law, interest and commission, and similar items.

The term "present value," as used in this opinion, means the "reproduction value" less the diminution in value of the physical elements of the property, due to use, age, obsolescence, inadequacy and other causes, plus appreciation where found. This might properly be called "depreciated reproduction value," and does not mean the ultimate fact of present value, as that term is ordinarily used.

As directed by the Commission, the railway company filed with the Commission, on March 25, 1913, an inventory of its property, together with a statement of the reproduction value and present value thereof.

The final summary sheet of this report is attached to this opinion and marked Exhibit "A."

The Commission's engineering department also prepared a complete report concerning the original cost, the reproduction value and the present value of the operative property of the railway as of June 30, 1912. This report was submitted to the Commission and a copy of it furnished the railway company on September 4, 1913. The final summary sheet of this report is attached hereto and marked Exhibit "B."

Several objections were made on the part of the company's representatives to the report of this Commission's engineering department, as will hereinafter appear.

Subsequent to the hearing the Commission's engineering department made an investigation into the contentions and claims of the company's engineer and prepared a revised statement of reproduction value and present value, the final summary sheet of which is attached hereto and marked Exhibit "C." The objection of the company and the adjustments made in the valuation of this Commission's engineering department, will later be taken up in detail.

#### 1. Organization, Construction and Operation.

The Los Angeles and San Diego Beach Railway Company was incorporated on March 14, 1906, under the laws of the State of California, to construct and acquire a standard gauge single or double track steam or electric railway, to run between the following points:

1. Main line: From the city of Los Angeles to the city of San Diego, through the counties of Los Angeles, Orange and San Diego, with branch lines to—
  - (a) La Jolla Park, San Diego County.
  - (b) National City, San Diego County.
  - (c) Tia Juana, Lower California, Mexico.
2. Street car lines: Certain street car lines in the city of San Diego.

Of this proposed mileage only 15.75 miles of main track is at present constructed, all of which is situated within the present city limits of San Diego and in San Diego County.

In addition to the railroad business, the incorporators sought and were granted permission to engage in other lines of business, viz, to carry express, to construct and operate telephone and telegraph plants and electric power and lighting plants, to buy or lease steam, electric or street railways, to build warehouses, wharves, piers, bunkers, to construct and operate steamships, ferries and other vessels, to manufacture locomotives and cars, to acquire, develop and operate coal mines, stone quarries, petroleum and other mines, and to carry on a real estate and banking business.

The company is not at present engaged in any of the above lines of business except the operation of its steam and electric railroad.

The immediate purpose of the organization of the company in 1906 was the acquisition by the Los Angeles and San Diego Beach Railway Company of the property and franchises of two older companies, viz, the San Diego, Old Town and Pacific Beach Railroad Company (E. S. Babcock, vice-president), and the San Diego, Pacific Beach and La Jolla Railway Company (E. S. Babcock, president). The company, at that time, further acquired certain street railways and street railway franchises in the city of San Diego owned by E. S. Babcock, its president. It is not entirely clear what property was owned by the first named corporation, except that it was the possessor of certain operative car lines and rights of way and franchises in the city of San Diego, which in turn had been acquired from the two still older companies, viz, the Old Town Street Railway Company and the Pacific Beach Railway Company, and aggregating approximately nine miles of track. The newly organized Los Angeles and San Diego Beach Railway Company agreed to buy this property for the sum of \$250,000.00, to be paid for in 2,500 shares of common stock and 250 one thousand dollar first mortgage bonds. The second corporation, namely, the San Diego, Pacific Beach and La Jolla Railway Company, was the owner of approximately four and one quarter miles of steam railroad operating between Pacific Beach, Ocean Front and La Jolla Park. Besides this piece of operated line the latter company sold to the present company a certain amount of equipment and track material. For this property in its entirety the present company agreed to pay the sum of \$131,000.00, to be paid for in 1,310 shares of capital stock and in 131 first mortgage bonds of one thousand dollars each.

Item three, the property personally owned by E. S. Babcock, consisted principally of certain real estate, rights of way, franchises, and the street railway being operated by him on C and Sixth streets in San Diego, including certain buildings, machinery, equipment and track material. For this property the company agreed to pay the sum of \$165,000.00, to be paid for as follows: \$16,500.00 in cash, the balance in 1,650 shares fully paid-up capital stock, and 165 one thousand dollar first mortgage bonds.

The consolidation of these three groups of separate and small units of street and suburban railway practically constitutes the present property of this company, only very little mileage having been added since 1906.

The actual construction of this line, including the betterment work, runs over a period of twenty-five years, from 1887 to 1912. It is impossible and unnecessary to attempt a history of construction. The books of the old companies have no classification of expenditures, and construction and maintenance charges can not be segregated. The

detailed report of the Commission's engineering department goes into these matters, and what seemed of importance is brought out therein.

The company's lines and franchises in the business portion of San Diego operated electrically are of value principally as a street railway proposition, while the line from the Santa Fe depot to La Jolla operated by steam and gasoline motors is a suburban railway with considerable possibilities. Originally the latter portion of the road was probably projected and built in connection with real estate operations in the Pacific Beach and La Jolla districts. Since the building of the railroad the land between Pacific Beach and La Jolla has advanced considerably in value, and the latter has developed from a small place into a good sized pleasure resort and residence district.

The entire line of the Los Angeles and San Diego Beach Railway Company is valley construction and the work of building the road was very light. From the "La Jolla Depot," opposite the Santa Fe passenger station in San Diego, the line runs for three miles along the San Diego Bay, and then for two miles across Point Loma peninsula, and for about eight miles along "False Bay" and the Pacific Ocean to the sandstone cliffs of the seaside resort, La Jolla. The entire line is inside the city limits of San Diego. There were no natural construction difficulties of any sort. The portion of the line in the business part of San Diego operates over a franchise through a thickly built-up commercial and retail district. The company owns approximately eight miles of franchises, being nearly one half of the total mileage of this road.

An average of ten schedule trains each way between San Diego and La Jolla on week days and an average of fifteen schedule trains each way on Sundays and holidays are operated on this road. These trains are operated by both steam and gasoline motor. The company is now considering the electrification of the entire line. The street cars operated in the business district of San Diego are not taken into consideration in the above figures.

## 2. Stock and Bonds.

The authorized capital stock (all common), of this company at the present time consists of 20,000 shares of \$100.00 each, of the total par value of \$2,000,000.00. Of this amount stock to the par value of \$711,000.00 is outstanding, and \$1,289,000.00 is held in the company's treasury. Of the outstanding stock \$165,000.00 represents original incorporators' stock and \$546,000.00 was paid for acquiring the property of other corporations.

It has been stated heretofore that this company in acquiring its property promised to partially pay in first mortgage bonds. One month after incorporation the directors authorized the creation of a bonded indebtedness of \$706,000.00, divided into 706 one thousand dollar forty-

year 5 per cent first mortgage gold bonds, to be secured by all of the company's property and by a sinking fund which was to be created. In the annual report of the company to this Commission for the first year of its existence, ending June 30, 1907, the company shows that bonds to the amount of \$546,000.00 had been issued and were outstanding, and that interest to the amount of \$27,300.00 had accrued during the year, only \$625.00 of which had been paid. It appears that no annual reports were filed by the company during the years 1908, 1909 and 1910, and it is therefore impossible to secure authentic information from that source as to the status of the company's bonded debt and capital stock during those years.

The company, it seems, experienced unlooked-for difficulties in floating the bonds, and after a number of unsuccessful attempts to arrive at satisfactory terms with prospective buyers was obliged to return the bond certificates to the trustee, the Los Angeles Trust Company, who had the bonds destroyed. In order to secure needed funds the company has found it necessary to do its financing by means of short-term notes and one-day obligations in personal account with E. S. Babcock, its president. For such funds it pays six and seven per cent interest. At the end of the fiscal year ending June 30, 1913, this corporation had obligations of such a nature amounting to \$158,842.61. The inability to float the bonds largely accounts for the fact that no new construction or extensive betterment work has been undertaken by the company.

### 3. Revenues and Expenses.

This railroad is principally a passenger-carrying road and less than 14 per cent of the total operating revenues originates from freight business. Below are the principal revenue expense and traffic figures for the year ending June 30, 1913, as taken from the company's report to this Commission:

#### REVENUE AND EXPENSES.

Operating revenues:	
1. Freight revenue .....	\$11,448 60
2. Passenger revenue .....	\$73,183 45
3. All other revenue.....	3,260 92
Total .....	\$87,892 97
Operating expenses:	
1. Maintenance of way and structures.....	\$11,734 59
2. Maintenance of equipment.....	13,357 40
3. Traffic expenses.....	3,011 70
4. Transportation expenses.....	31,943 89
5. General expenses.....	8,233 42
Total .....	68,281 00
Net operating revenue .....	\$19,611 97



<i>Brought forward</i> .....	\$19,611 97
Deductions from net operating revenue:	
1. Hire of equipment.....	\$1,275 60
2. Miscellaneous deductions.....	1,033 24
3. Taxes .....	3,174 69
4. Interest on notes.....	10,233 69
Total deductions .....	15,717 22
Net income transferred to credit of profit and loss.....	\$3,894 75

This credit balance deducted from the debit balance, at the beginning of the fiscal year, of \$6,308.23 leaves a debit balance on the company's books, as of June 30, 1913, of \$2,413.48.

The ratio of operating expenses to operating revenues on this road for the year ending June 30, 1913, was 77.71 per cent.

The principal traffic statistics for the same year are shown below:

#### PASSENGER TRAFFIC.

1. Number of revenue passengers carried.....	426,406
2. Number of passengers carried one mile.....	4,609,935
3. Number of passengers carried one mile per mile of road.....	261,868
4. Average distance carried, in miles.....	10.80
5. Total passenger revenue.....	\$73,183.45
6. Average amount received from each passenger, in cents.....	17.162
7. Average receipt per passenger per mile, in cents.....	1.587
8. Passenger service train revenue per mile of road.....	\$4,331.58

#### FREIGHT TRAFFIC.

1. Number of tons carried earning revenue.....	8,969
2. Number of tons carried one mile.....	106,029
3. Number of tons carried one mile per mile of road.....	6,007
4. Total freight revenue.....	\$11,448.60
5. Average amount received for each ton of freight.....	\$1.27
6. Average receipts per ton mile, in cents.....	10.797
7. Freight revenue per mile of road.....	\$650.11

#### TOTAL TRAFFIC.

1. Operating revenue per mile of road.....	\$4,991.08
2. Operating expenses per mile of road.....	\$3,877.40
3. Net operating revenue.....	\$19,611.97
4. Net operating revenue per mile of road.....	\$1,113.68

NOTE.—Figures are based on new survey mileage of 17.61 miles.

The most significant figures in the above table are the average receipts per passenger mile and per ton mile. The passenger mile rate is slightly in excess of one cent and is low, while the ton mile unit is nearly ten times as high and in excess of ten cents.

#### 4. Original Cost.

Authentic original cost data covering the entire property of the corporation are not available. It has been mentioned before that the construction period on the company's books extends over twenty-five years, during most of which time a systematic segregation of expenditures was not attempted. While, therefore, it was impossible to show original cost in accordance with the definition given of that term, nevertheless,

much data has been secured by the Commission's engineering department having an important bearing on the cost of construction of this road. From the details at hand it would appear that the actual cash investment, as nearly as can be ascertained, approximates \$442,000.00. This figure happens to agree quite closely with the present value, as ascertained by the Commission's engineering department, as will hereinafter appear; but it should be observed that the cost figure does not include interest on the investment.

The books of the company, according to the last annual report to the Commission, show the investment for road and equipment, as of June 30, 1913, at a total of \$858,384.18, or \$54,500.60 per mile of main track. This figure, of course, is based upon the par value of common stock given in exchange for property, and not on any market value. The stock at the time of the organization of the company had no market value.

For the reasons stated above, the original cost column in Exhibits "A," "B" and "C" is left blank.

#### 5. Reproduction Value.

The reproduction value as returned by the company and as ascertained by the engineering department of the Commission is based on the property as it exists to-day, *i. e.*, full allowance is made for all improvements made subsequent to the original construction, and appreciation and depreciation are considered. The usual overhead, interest and contingency allowances are added to the value of the physical elements in the engineering department's valuation, while the company adds fixed percentages only for engineering and law expenses and makes no allowances for interest, general expenses and contingencies. By referring to Exhibit "A" it will be noted that the company's reproduction value aggregates \$601,379.16.

The Commission's engineering department in its original valuation has estimated a reproduction value totalling \$510,598.43.

The railway company, while accepting most of the items in this total, objected particularly to three items, *viz*:

1. Right of way.
2. Grading.
3. Equipment.

The Commission's engineering department's valuation of the right of way of a portion of the line was based on a "wholesale price" of the tracts of land traversed by the line, this wholesale price being the amount which real estate men would pay for large tracts before they are subdivided and sold in lots. The company objected to this method of appraising the value of this certain portion of its right of way and claimed that the reproduction cost should be based on the "retail value"

of individual and subdivided lots. An investigation was made into this question subsequent to the filing of the original report and well-informed local real estate men and bankers were consulted as to what is the reasonable present value of the speculative lands referred to. It was then agreed between the chief engineer of the railroad company and this Commission's engineering department that a value between the wholesale price and the retail price would be fair. Accordingly, a final market value of \$2,000.00 an acre was agreed upon, being an estimated mean of the minimum value of \$1,000.00, which originally had been adopted, and the maximum value of \$5,000.00 an acre. The company did not claim a maximum value. It was further found that a small strip of right of way was not shown on the company's maps, and consequently had not been included in the original appraisal. In the revision of this account this error was also corrected.

The changes indicated above result in increasing the reproduction value of the right of way by an amount of \$38,890.28.

The mere fact that acreage property is subdivided into lots does not itself necessarily increase the value thereof; nor does the fact that property is held at a certain figure indicate its true value. At the same time, we are convinced that the engineering department's estimate in this respect is a fair one, and after considering all of the evidence as to this item, we shall accept the engineering department's reproduction value of the right of way and the engineering department's revised estimate of reproduction value of the right of way of this company at the new figure of \$137,856.46.

At the hearing the company introduced testimony that a certain amount of yardage should be added to the grading quantities as shown in the engineering department's valuation. It appears that when the profile of this company's line was originally checked by the Commission's engineers the quantities did not agree with the yardage as shown in the company's appraisal. This matter was at that time taken up with the company by letter, and their reply was that the amount of yardage as shown in the valuation report was correct. At the hearing, however, the company brought proof that if the work was considered on a two-way basis throughout (*i. e.*, all material moved was paid for both in excavation and in embankment), as the Commission had considered it, there would be an aggregate total increase in yardage of 20,228 cubic yards. The company's contention is correct, and this amount has been added to the account "grading" at the price of 22 cents per cubic yard. It appears that all this material is earth.

Objection was made by the company's engineer to the method used by the Commission's engineers in determining the reproduction value of certain equipment. In the Commission's engineering department's valuation a number of flat cars had been reproduced on the basis of

being scrap and given a scrap value only. The company's engineer had no objection to offer in regard to considering these cars as being scrap with reference to present value, but insisted that to reproduce them he would have to buy cars that were useful, and in consequence would cost more than scrap.

Under the definition of reproduction value, as given heretofore, the property of this company is reproduced "in the condition in which it was acquired."

The facts with regard to the equipment in question are that they were purchased from the defunct Coronado Railroad and personally from E. S. Babcock, the president of the road, and were scrap at the time of the purchase, in 1906. They have practically never given any service for the Los Angeles and San Diego Beach Railway Company. It was concluded, consequently, by the Commission's engineers, that they are not operative equipment and should not be carried on the company's books as serviceable cars. Both the reproduction value and the present value of these cars, therefore, is equal to one hundred per cent of scrap, from the point of view of being stores and supplies rather than from the point of being equipment. Considering all the evidence as to this item, we are inclined to agree with the engineering department's recommendation that the original estimate of reproduction value of these cars should not be changed.

The additions made to the right of way and grading accounts, as explained above, will affect the overhead allowances, with the result that this Commission's engineering department's reproduction value, as shown in Exhibit "B," will be increased in accordance with the following table:

	Class	Reproduction value
2	Right of way.....	\$38,890 28
4	Grading—20,128 cubic yards of earth at \$.22.....	\$4,428 16
	Grading contingencies, 5 per cent.....	221 41
1	Engineering, 5 per cent of item No. 4.....	232 48
43	Law expenses, 1 per cent of item No. 4.....	46 50
47	Interest and commission, 3 per cent of items No. 4, No. 1, and No. 43 (\$4,928.55).....	147 86
48	Other expenditures one-half of 1 per cent of items No. 4, No. 1, and No. 43 (\$4,928.55).....	24 65
	<b>Total increase</b> .....	<b>\$43,991 34</b>
	<b>Original grand total</b> .....	<b>510,598 43</b>
	<b>New grand total</b> .....	<b>\$554,589 77</b>
	<b>New average per mile, main line</b> .....	<b>35,212 05</b>

A new final summary sheet has been compiled by the Engineering Department and is attached to this opinion as Exhibit "C."

This disposes of the railway company's objection to the report of this Commission's engineering department as far as reproduction value is concerned.

We find as a fact from the evidence that the cost of reproducing in the condition in which they were acquired the various items entering into the valuation of the Los Angeles and San Diego Beach Railway Company, as of June 30, 1912, is the sum of \$554,589.77.

#### 6. Present Value.

This Commission's engineering department reported the "present value," as hereinbefore defined, to be the sum of \$416,559.61 (see Exhibit "B"). The railway company's objections to the valuation as a whole have already been discussed under the heading "reproduction value," and what was said as to the facts in that case applies, of course, with equal force to the item of "present value" also.

In regard to right of way, the department as usual in cases of this kind gives the same estimate of present value for right of way, station grounds and real estate under "present value" as it would under "reproduction value," and the increase of this item over the original estimate is therefore \$38,890.28.

The item of grading is considered to appreciate with age, and the additional yardage allowed under the heading "Reproduction Value" has been given the same average condition per cent as was assigned to the balance of the grading, resulting in a present value equal to 110 per cent of the reproduction value, or an increase in terms of money of \$5,114.53.

It should also be noted that the department regularly allows the same amount for overhead expenses under the heading "Present Value" as under "Reproduction Value;" in other words, it does not subtract anything for depreciation on overhead expenses.

The table opposite shows in detail the effect of the revision, in accordance with the evidence brought out at the hearing, in the item "present value." The figures in the reproduction value column are repeated here in order to show at what condition per cent each item is extended to the present value column.

	Class	Reproduction value	Cond per cent	Present value
2	Right-of way.....	\$38,890 28	100	\$38,890 28
4	Grading—20,128 cubic yards of earth at \$ .22..... \$4,428 16			
	Grading contingencies, 5 per cent..... 221 41	4,649 57	110	5,114 53
1	Engineering, 5 per cent of item No. 4.....	232 48	100	232 48
43	Law expense, 1 per cent of item No. 4.....	46 50	100	46 50
47	Interest and commission, 3 per cent of items No. 4, No. 1, No. 43 (\$4,928.55).....	147 86	100	147 86
48	Other expenditures, one half of 1 per cent of items No. 4, No. 1, and No. 43 (\$4,928.55).....	24 65	100	24 65
	Total increase .....	\$13,991 34	102	\$44,456 30
	Original grand totals.....	510,598 43	82	416,559 61
	New grand totals.....	\$554,589 77	82	\$461,015 91
	New average per mile, main line.....	35,212 05	82	29,270 85

The total increase in the present value amounts to \$44,456.30, bringing the grand total present value up from an original grand total of \$416,559.61 (see Exhibit "B") to a new grand total of \$461,015.91 (see Exhibit "C").

We find from the evidence in this case that the present value, as that term has heretofore been defined, of the physical elements of the operative property of the Los Angeles and San Diego Beach Railway Company, including engineering, law expenses, interest during construction, and contingencies, as of June 30, 1912, to be the sum of \$461,015.91.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of March, 1914.

## EXHIBIT "A."

Name of owner, Los Angeles and San Diego Beach Railway Co.; operating company, same; from San Diego to La Jolla, miles main line track, 15.751; miles yard tracks, etc., 5.799; total 21.551 miles.  
Valuation as of June 30, 1912; W. J. Gough, field inspector and office compiler; date compiled, March 17, 1913.

Class No.	Form No.	I. C. C. Act. No.	Classes	Original cost	Reproduction value	Cond. * per cent.	Present value
1	1	2	Right of way and station grounds.....		\$142,748 00		\$142,748 00
2	2	3	Real estate.....				
3	3	4	Grading.....		44,642 65		47,471 34
4	4	5	Tunnels.....				
5	5	6	Steel bridges and trusses.....				
6	6	6	Pile and frame trestles.....		12,311 67		7,976 96
7	7	6	Culverts.....		2,039 05		1,568 57
8	8	7	Ties.....		36,102 66		24,142 64
9	9	8	Rails.....		77,687 30		61,318 22
10	10	9	Frogs and switches.....		17,926 30		14,974 45
11	11	10	Track fastenings and other material.....		14,747 86		11,778 79
12	12	11	Ballast.....		4,183 00		4,182 00
13	13	12	Tracklaying and surfacing.....		14,550 38		14,550 38
14	14	13	Roadway tools.....		1,459 27		972 65
15	15	14	Fencing right of way.....		248 36		235 95
16	16	15	Crossings and signs.....		808 50		682 38
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....		49 00		47 95
20	20	18	Station buildings and fixtures.....		9,041 50		6,441 05
21	21	18	Platforms, walks, paving and curb.....		18,543 75		16,828 17
22	22	19	General office buildings and fixtures.....		934 50		637 31
23	23	20	Shop buildings and engine houses.....		5,834 31		4,887 15
24	24	20	Transfer and turntables, cinder pits, etc.....		3,597 26		2,851 33
25	25	20	Miscellaneous shop buildings and structures.....				
26	26	21	Shop machinery and tools.....		4,371 74		3,243 15
27	27	22	Water stations.....		589 50		286 37
28	28	23	Fuel stations.....		1,191 75		930 55
29	29	24	Grain elevators.....				
30	30	25	Storage warehouses.....				
31	31	26	Dock and wharf property.....				
32	32	27	Electric light plants.....				
33	33	28	Electric power plants.....		2,981 00		1,773 00
34	34	29	Electric power transmission.....		8,218 73		7,058 66
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....		2,046 30		1,430 35
Total classes 1 to 36, inclusive.....					\$426,874 35		\$379,284 97
37	37	32	Engineering 5 per cent, 1 to 36, inclusive.....		21,343 77		21,343 77
38	38	33	Transportation of men and material.....				
39	39	33	Rent of equipment.....		4,616 00		4,616 00
40	40	34	Repairs of equipment.....		12,369 84		
41	41	35	Earning and operating expenses during construction.....				
42	42	35	Injuries to persons.....				
43	43	36	Cost of road purchased.....				
Total classes 1 to 43, inclusive.....					\$465,203 95		\$405,244 74
44	44	37	Steam locomotives.....		11,500 00		2,780 00
45	45	38	Electric locomotives.....				
46	46	39	Passenger train cars.....		59,675 00		37,092 00
47	47	40	Freight train cars.....		26,865 00		8,492 75
48	48	41	Work equipment.....		800 00		480 00
49	49	42	Floating equipment.....				
Total classes 1 to 49, inclusive.....					\$564,043 96		\$454,059 49
50	50	43	Law expenses, 1 per cent, classes 1 to 36, inclusive.....		4,268 74		4,268 74
51	51	44	Stationery and printing.....		773 05		773 05
52	52	45	Insurance.....				
53	53	46	Taxes.....		17,309 71		650 00
Total classes 1 to 53, inclusive.....					\$586,395 46		\$459,751 28
54	54	47	Interest and commission, 2 per cent, classes 1 to 53, inclusive.....				
55	55	48	Other expenditures.....				
56	56	49	Contingencies, 2 per cent, classes 1 to 53, inclusive.....				
57	57	46	Stores and supplies on hand for use in California.....		14,983 70		13,723 43
Grand total.....					38,180 38		30,059 96
Average per mile for main line track.....					\$601,379 16		\$473,474 71

## EXHIBIT "B."

Name of owner, Los Angeles and San Diego Beach Railway Co.; operating company, same; from San Diego to La Jolla, miles main line track, 15.73; miles second track, 5.79; total, 21.54 miles.  
Valuation as of June 30, 1912, Richard Sachs, field inspector and office compiler; date compiled, December 15, 1913.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent.	Present value
1	1	2	Right of way and station grounds.....		\$8,966 18	100	\$8,966 18
2	2	3	Real estate.....				
3	3	4	Grading.....		50,548 03	99	50,115 57
4	4	5	Tunnels.....				
5	5	6	Steel bridges and trusses.....				
6	6	6	Pile and frame trestles.....		9,080 12	50	4,540 06
7	7	6	Culverts.....		1,675 70	65	1,094 66
8	8	7	Ties.....		45,483 89	50	22,741 95
9	9	8	Rails.....		73,192 68	85	62,223 99
10	10	9	Progs and switches.....		18,504 25	88	16,220 68
11	11	10	Track fastenings and other material.....		10,195 13	75	7,817 32
12	12	11	Ballast.....		4,392 15	100	4,392 15
13	13	12	Tracklaying and surfacing.....		22,530 85	72	16,898 13
14	14	13	Roadway tools.....		1,495 75	60	897 45
15	15	14	Fencing right of way.....		203 52	100	203 52
16	16	15	Crossings and signs.....		1,769 56	80	1,415 65
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....		50 61	100	50 61
20	20	18	Station buildings and fixtures.....		10,059 01	67	6,745 30
21	21	18	Platforms, walks, paving and curb.....		460 11	61	280 90
22	22	19	General office buildings and fixtures.....		369 00	76	276 75
23	23	20	Shop buildings and engine houses.....		6,330 50	87	5,493 15
24	24	20	Transfer and turntables, cinder pits, etc.....				
25	25	20	Miscellaneous shop buildings and structures.....		3,454 14	80	2,750 62
26	26	21	Shop machinery and tools.....		4,690 49	78	3,685 83
27	27	22	Water stations.....		401 36	67	268 73
28	28	23	Fuel stations.....		457 15	66	305 86
29	29	24	Grain elevators.....				
30	30	25	Storage warehouses.....				
31	31	26	Dock and wharf property.....				
32	32	27	Electric light plants.....		3,120 10	68	2,144 04
33	33	28	Electric power plants.....		6,063 72	71	4,330 75
34	34	29	Electric power transmission.....				
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....		2,137 50	75	1,590 64
37	37	1	Total classes 1 to 36, inclusive.....		\$375,965 33	84	\$315,156 49
38	38	32	Engineering, 5 per cent, 3 to 36, inclusive.....		13,849 96	100	13,849 96
39	39	33	Transportation of men and material.....				
40	40	34	Rent of equipment.....				
41	41	35	Repairs of equipment.....				
42	42	35	Earning and operating expenses during construction.....				
43	43	35A	Injuries to persons.....				
44	44	36	Cost of road purchased.....				
45	45	37	Total classes 1 to 43, inclusive.....		\$389,815 29	85	\$329,306 45
46	46	38	Steam locomotives.....		7,070 00	26	1,843 25
47	47	39	Electric locomotives.....				
48	48	40	Passenger train cars.....		70,150 56	65	45,787 34
49	49	41	Freight train cars.....		13,029 00	71	9,270 79
50	50	42	Work equipment.....		606 00	71	424 20
51	51	43	Floating equipment.....				
52	52	44	Total classes 1 to 49, inclusive.....		\$480,670 85	80	\$386,632 03
53	53	45	Law expenses, 1 per cent, classes 3 to 36, inclusive.....		2,769 99	100	2,769 99
54	54	46	Stationery and printing.....				
55	55	47	Insurance.....				
56	56	48	Taxes.....				
57	57	49	Total classes 1 to 53, inclusive.....		\$483,440 84	80	\$384,402 02
58	58	50	Interest and commission, 3 per cent, classes 3 to 53, inclusive.....		11,534 24	100	11,534 24
59	59	51	Other expenditures.....		1,922 37	100	1,922 37
60	60	52	Contingencies, 1 per cent, classes 1 to 53, inclusive (included in other accounts).....				
61	61	53	Stores and supplies on hand for use in California.....		13,700 98	100	13,700 98
62	62	54	Grand total.....		\$510,598 43	82	\$416,539 61
63	63	55	Average per mile for main line track.....		32,418 95	82	26,511 72



## EXHIBIT "C."

Name of owner, Los Angeles and San Diego Beach Railway Co.; operating company, same; from San Diego to La Jolla, miles main line track, 15.55; miles second track, 5.77; total, 21.32 miles.  
Valuation as of June 30, 1912: Richard Sachse, field inspector and office compiler, date compiled, July, 1913.

Class No.	Form No.	I. C. C. Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent.	Present value
1	1	2	Right of way and station grounds.....		\$137,856 46	100	\$137,856 46
2	2	3	Real estate.....				
3	3	4	Grading.....		55,217 60	100	55,230 10
4	4	5	Tunnels.....				
5	5	6	Steel bridges and trusses.....				
6	6	6	Pile and frame trestles.....		9,680 12	50	4,510 06
7	7	6	Culverts.....		1,675 50	65	1,094 66
8	8	7	Ties.....		45,483 89	50	22,741 95
9	9	8	Rails.....		73,192 68	85	62,223 59
10	10	9	Flanges and switches.....		18,504 25	88	16,229 68
11	11	10	Track fastenings and other material.....		10,495 13	75	7,817 32
12	12	11	Ballast.....		4,392 15	100	4,312 15
13	13	12	Tracklaying and surfacing.....		22,580 85	72	16,898 13
14	14	13	Roadway tools.....		1,415 75	60	897 45
15	15	14	Fencing right of way.....		203 52	100	206 52
16	16	15	Crossings and signs.....		1,769 56	80	1,415 65
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....		50 61	100	50 61
20	20	18	Station buildings and fixtures.....		10,070 01	67	6,745 30
21	21	18	Platforms, walks, paving and curb.....		490 14	61	286 90
22	22	19	General office buildings and fixtures.....		369 00	76	276 75
23	23	20	Shop buildings and engine houses.....		6,304 30	87	5,493 15
24	24	20	Transfer and turntables, clider pits, etc.....		3,454 14	80	2,750 62
25	25	20	Miscellaneous shop buildings and structures.....				
26	26	21	Shop machinery and tools.....		4,080 49	78	3,285 83
27	27	22	Water stations.....		404 36	67	268 73
28	28	23	Fuel stations.....		457 15	66	305 86
29	29	24	Grain elevators.....				
30	30	25	Storage warehouses.....				
31	31	26	Dock and wharf property.....				
32	32	27	Electric light plants.....				
33	33	28	Electric power plants.....		3,120 10	68	2,144 04
34	34	29	Electric power transmission.....		6,063 72	71	4,280 75
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....		2,137 50	75	1,590 64
37	37	1	Total classes 1 to 36, inclusive.....		\$419,505 18	85	\$359,461 30
38	38	32	Engineering, 5 per cent, 3 to 36, inclusive.....		14,082 44	100	14,082 44
39	39	33	Transportation of men and material.....				
40	40	33	Rent of equipment.....				
41	41	34	Repairs of equipment.....				
42	42	35	Earning and operating expenses during construction.....				
43	43	35 1/2	Injuries to persons.....				
44	44	36	Cost of road purchased.....				
45	45	37	Total classes 1 to 43, inclusive.....		\$433,587 62	85	\$373,543 74
46	46	38	Steam locomotives.....		7,070 00	26	1,843 25
47	47	39	Electric locomotives.....				
48	48	40	Passenger train cars.....		70,150 56	65	45,787 34
49	49	41	Freight train cars.....		13,029 00	71	9,270 79
50	50	42	Work equipment.....		606 00	71	424 20
51	51	43	Floating equipment.....				
52	52	43	Total classes 1 to 49, inclusive.....		\$524,443 19	82	\$430,809 32
53	53	44	Law expenses, 1 per cent, classes 3 to 36, inclusive.....		2,616 49	100	2 516 49
54	54	45	Stationery and printing, included in class 37.....				
55	55	46	Insurance, included in class 35.....				
56	56	47	Taxes, included in class 35.....				
57	57	47	Total classes 1 to 53, inclusive.....		\$527,259 68	82	\$433,665 81
58	58	48	Interest and commission, 3 per cent, classes 3 to 53, inclusive.....		11,682 10	100	11,682 10
59	59	49	Other expenditures, one half of 1 per cent of classes 3 to 53, inclusive.....		1,947 02	100	1,947 02
60	60	50	Contingencies, 1 per cent, classes 1 to 53, inclusive.....				
61	61	51	Stores and supplies on hand for use in California.....		13,700 98	100	13,700 98
62	62	52	Grand total.....		\$554,589 77	82	\$461,015 91
63	63	53	Average per mile for main line track.....		35,212 05	82	29,270 85

## DECISION No. 1383.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF THE SAN DIEGO AND SOUTHEASTERN  
RAILWAY COMPANY.

Case No. 189.

*Decided March 30, 1914.*

Proceeding on motion of Commission to ascertain various elements entering into the value of respondent's property. Findings made as to facts but not on the question of the value of the property, irrespective of the purposes for which value is ascertained. Terms defined.

*Findings of Fact:* (1) That the reproduction value of the operative physical property of respondent as of June 30, 1912, is not in excess of the sum of \$2,285,-874.61; (2) That the present value of the operative physical property of respondent as of June 30, 1912, is the sum of \$1,912,754.20.

*R. G. Dilworth*, for San Diego and Southeastern Railway Company.

## REPORT OF THE COMMISSION.

EDGERTON and LOVELAND, *Commissioners*.

This is a case brought upon the Commission's own initiative, for the purpose of ascertaining the facts in regard to various elements entering into the value of the property of San Diego and Southeastern Railway Company.

These proceedings were originally instituted under the provisions of section 20 of the Stetson Act, effective February 10, 1911, and were continued under the provisions of the Public Utilities Act, effective March 23, 1912. The sections of the Public Utilities Act particularly applicable to these proceedings are sections 47 and 70. Findings of fact will be made, bearing on the question of value as shown by the evidence in this case, and findings will not be made on the question of the ultimate value of the property, irrespective of the purposes for which the value is ascertained, and we shall confine ourselves to the finding of facts relative to different elements which have from time to time been considered by the courts in cases where the value of the property of a railroad company has been material.

The term "original cost," as used in this opinion, means the actual expenditures, chargeable to capital account in accordance with the classification of expenditures for road and equipment as prescribed by the Interstate Commerce Commission for steam roads, made by the railroad company for its operative property in the State of California, as of June 30, 1912.

The term "reproduction value," as used in this opinion, means the estimated cost in cash of acquiring the operative right of way and

other real estate and of reproducing in the condition in which it was acquired the other physical property of the railroad company in the State of California, as of June 30, 1912, to which are added overhead expenditures for engineering, law, interest and commissions, and similar items.

The term "present value," as used in this opinion, means the "reproduction value" less the diminution in value of the physical elements of the property, due to use, age, obsolescence, inadequacy, and other causes, plus appreciation where found. This might properly be called "depreciated reproduction value," and does not mean the ultimate fact of present value, as that term is ordinarily used.

In accordance with this Commission's order dated October 24, 1911, the San Diego and Southeastern Railway Company, on October 16, 1912, filed an inventory of its property in the State of California, together with a statement of its reproduction value and present value, a summary of which is attached to this opinion and marked Exhibit "A."

On May 5, 1913, the Commission's engineering department submitted its detailed report in this proceeding. Thereafter, on September 11, 1913, the engineering department submitted a revised report, showing a total reproduction value for the entire system of \$2,285,874.61 and an estimated present value of \$1,912,754.20. A copy of the final summary sheet of the engineering department's last and revised estimate is attached hereto and marked Exhibit "B."

From the testimony it appears that the company urges no objections to the engineering department's valuation as a whole, but desires to be on record as not consenting to a number of our engineers' unit prices as a proper basis for this valuation. Only such items were considered in the company's statements wherein the value as ascertained by the engineering department was lower than that arrived at by the company's engineers, and no mention was made of the equally important fact that in a number of instances the opposite state of affairs existed, where the engineering department's values were higher. A comparison of the respective figures will hereinafter appear. It seems, however, that the final total of the engineering department's valuation is in excess of the values as arrived at by the company.

We shall, in connection with this inquiry, consider the following matters:

1. Organization, construction, and operation.
2. Stocks and bonds.
3. Revenues and expenses.
4. Original cost.
5. Reproduction value.
6. Present value.

**1. Organization, Construction, and Operation.**

The San Diego and Southeastern Railway Company was incorporated under the laws of the State of California, on March 2, 1912, to take over the properties and obligations of the San Diego and Cuyamaca Railway Company and the San Diego Southern Railway Company, both of which are now legally dissolved. The history of the physical properties which now constitute the San Diego and Southeastern Railway Company is interesting and intricate, and can be traced back as far as the years 1886 and 1887, when the first serious attempts were made by San Diego residents to give to their city a direct rail connection with the East. A complete investigation into the entire history of the company appears in the Commission's engineering department's valuation report, and it does not seem necessary to here review this history in all its details. It will suffice to say that the present company inherited the properties and obligations, as far as they were in existence, of the following prior companies:

Coronado Railroad Company, organized April 7, 1886.  
 National City and Otay Railway Company, organized December 28, 1886.  
 San Diego and Cuyamaca Railway Company, organized August 30, 1887.  
 Otay Railway Company, organized September 28, 1887.  
 San Diego, Cuyamaca and Eastern Railway Company, organized March 6, 1888.  
 National City and Otay Railway Company (Cons.), organized October 1, 1888.  
 San Diego Southern Railway Company, organized July 1, 1908.  
 San Diego and Cuyamaca Railway Company, organized July 19, 1909.

The present company is one of a group of San Diego organizations known as the "Spreckels Companies," because of the predominance of J. D. Spreckels in their control. These companies are as follows:

San Diego Electric Railway Company;  
 Southern California Mountain Water Company;  
 Coronado Water Company;  
 San Diego and Coronado Ferry Company;  
 San Diego and Coronado Transfer Company;  
 United Light, Fuel and Power Company;  
 San Diego and Southeastern Railway Company;  
 San Diego and Arizona Railway Company;  
 Coronado Beach Company;  
 Hotel Del Coronado;  
 Coronado Tent City;  
 Coronado Plumbing Company.

The same group of men occupy in general the same positions on the directorates and as officers of all these companies. They are as follows:

J. D. Spreckels, president;  
 W. Clayton, vice-president and managing director;  
 H. L. Titus, secretary and attorney;

Claude Spreckels, treasurer;  
 B. M. Warner, general superintendent;  
 A. H. Kayser, general auditor;  
 Geo. Holmes, purchasing agent.

The first four, together with C. L. Bundy of Los Angeles, who represents a group of Los Angeles capitalists, constitute the board of directors of this company. This, the youngest of the group, is thus not entirely a Spreckels Company, inasmuch as a considerable portion of the common stock of the company is held by Los Angeles people. The rest of the stock is held by John D. Spreckels.

The San Diego and Southeastern Railway Company comprises 73.54 main track miles of standard gauge steam and electric railways located in, and radiating in northerly, easterly and southerly directions from, the city of San Diego. The system consists of five principal units or branches of various lengths and is entirely confined within the limits of San Diego County.

The road as at present operated is divided into two divisions, the Southern Division (formerly the San Diego Southern Railway Company) and the Eastern Division (formerly the San Diego and Cuyamaca Railway Company). A statement of the total track mileage of the company is as follows:

	Main tracks	Other tracks	Total
<b>Southern Division (formerly S. D. S. Ry. Co.):</b>			
Main line, Tia Juana to San Diego.....	18.12	4.15	22.27
Coronado Branch, San Diego to Coronado.....	21.00	5.41	26.41
Sweetwater Branch—			
Sweetwater Junction to La Presa.....	7.88	2.17	10.05
Connection track—			
Coronado Junction to N. C. & O. Junction.....	1.22	.10	1.32
<b>Total .....</b>	<b>48.22</b>	<b>11.83</b>	<b>60.05</b>
<b>Eastern Division (formerly S. D. &amp; C. Ry. Co.):</b>			
Main line, San Diego to Foster.....	25.32	4.76	30.08
<b>Entire system:</b>			
Southern and Eastern divisions.....	73.54	16.59	90.13

In addition to the track mileage shown on this statement (73.54 miles of main track), the San Diego and Southeastern Railway Company operates an electric car over 1.55 miles of the San Diego Electric Railway Company's tracks in San Diego, making a total operated mileage of 75.09. Of this mileage there is operated by steam 61.76 miles and electrically 13.33 miles. The 13.33 miles consist of the 1.55 miles above mentioned of the San Diego Electric Railway Company's tracks and of 11.78 miles of main line on the Southern Division, from the intersection of Thirteenth and "L" streets, San Diego, to Otay.

The character of the lands traversed by the various lines of this system may be divided into two general classes, viz, lands within incorporated cities, and suburban, rural and country lands. Of the first class there are six incorporated cities, being San Diego, National City, Chula Vista, Coronado, La Mesa, and El Cajon. The character of these city lands does not correspond to what is usually understood by this term, and, instead of comprising built-up residence communities, the lands traversed are for the greater part sparsely built up, and in many cases merely low, marsh lands. The suburban territory reached by the lines of this company is constituted of small ranches and platted acreage tracts, including small unincorporated towns and villages of various sizes and improvements. The rural and country lands reached by the road are of various kinds and comprise orange and lemon groves, grain, farming, pasture, grazing, marsh, rocky, hilly, canyon and waste lands.

The company's right of way varies in width in different places and consists of strips 25, 30, 40, 50, 75 and 100 feet wide. Outside of its operative right of way and other real estate, aggregating slightly over 422 acres, the company owns also certain lands that are classed in this valuation as "non-operative," viz, a salt marsh of  $4\frac{1}{2}$  acres at National City and Otay Junction, and 9 acres of right of way on the abandoned Otay Wells gravel spur.

A considerable portion of the San Diego and Southeastern Railway, and principally the original National City and Otay Railway, is merely a suburban traction railway occupying city streets by virtue of franchises, and otherwise possessing very few rights of way. The length of track laid down totals approximately 16.7 miles.

As noted heretofore, this company operates with both steam and electricity. The electric portions of the road do a passenger business almost exclusively, while on the steam portion of the system freight constitutes the most important item of traffic on the road. The principal freight commodities seem to be stone, sand, and other like articles, constituting more than 82 per cent of the total freight tonnage hauled by this road in the year ending June 30, 1913.

## **2. Stocks and Bonds.**

The San Diego and Southeastern Railway Company's authorized capital stock consists of 16,500 shares of common stock of the par value of \$100.00 each, or a total authorized capitalization of \$1,650,000.00. The entire authorized capital stock was issued as the purchase price for the properties of the San Diego Southern Railway Company and the San Diego and Cuyamaca Railway Company, the immediate predecessors in interest of the present corporation. Stock to the par value of \$770,000.00 was paid for the Cuyamaca line and is now held by Los Angeles people, while stock to the par value of \$880,000.00 was paid for

the San Diego Southern property, and is held by John D. Spreckels, the president of the present company. There is no bonded indebtedness.

It seems pertinent to point out here the relation between the capitalization of this property and its value. The "reproduction value" of the entire operative property, as will appear later, is estimated by the engineering department of the Commission at \$2,285,874.61 and the "present value" at \$1,912,754.20, while the total capitalization has a par value of only \$1,650,000.00. This is an unusual state of affairs with public utilities. We find as a rule that the capitalization is largely in excess of either cost or reproduction value. Looking at the company from this point of view, its financial condition appears to be quite satisfactory. It does not become necessary to trace the financial history of the predecessors of the present company back to the beginning, as the last consolidation of these roads undoubtedly squeezed out whatever water there may have been in former capitalizations.

It should also be added here that since the incorporation of the present company, on March 2, 1912, expenditures were made for additions and betterments totaling \$259,519.04, of which \$81,087.90 was expended for acquisition of rights of way, station grounds and real estate.

The company has declared no dividends since its organization, but the sum of \$39,191.42 appears as a credit charge against profit and loss in the annual report of the company for the year ending June 30, 1913.

### 3. Revenues and Expenses.

The principal operating revenue and operating expense figures of the railway company for the year ending June 30, 1913, as reported to the Commission, were as follows

OPERATING REVENUES.		
Freight revenue -----	\$231,363 00	
Passenger revenue -----	171,733 64	
All other revenue -----	25,597 34	
Total operating revenues -----		\$428,693 98
OPERATING EXPENSES.		
Maintenance of way and structures -----	\$86,997 14	
Maintenance of equipment -----	75,163 85	
Traffic expenses -----	7,404 08	
Transportation expenses -----	178,103 88	
General expenses -----	30,151 02	
Total operating expenses -----		377,819 97
Net operating revenue -----		\$50,874 01
The operating ratio of this company is 88.13 per cent.		

The principal traffic statistics for the same year are shown below:

## PASSENGER TRAFFIC.

Number of revenue passengers carried .....	1,318,663
Number of passengers carried one mile .....	9,606,109
Number of passengers carried one mile per mile of road .....	127,928
Average distance carried, in miles .....	7.28
Total passenger revenue .....	\$171,733.64
Average amount received from each passenger, in cents .....	13.02
Average receipts per passenger per mile, in cents .....	1.788
Passenger service train revenue per mile of road .....	2,521.37

## FREIGHT TRAFFIC.

Number of tons carried earning revenue .....	399,729
Number of tons carried one mile .....	6,107,390
Number of tons carried one mile per mile of road .....	81,334
Average distance haul of one ton, in miles .....	15.28
Total freight revenue .....	\$231,363.00
Average amount received for each ton of freight, in cents .....	57.880
Average receipts per ton per mile, in cents .....	3.788
Freight revenue per mile of road .....	3,081.14

## TOTAL TRAFFIC.

Operating revenue per mile of road .....	\$5,709.07
Operating revenue per train mile, in cents .....	94.185
Operating expense per mile of road .....	5,031.56
Operating expense per train mile, in cents .....	83.008
Net operating revenue per mile of road .....	677.51
Average mileage operated during year .....	75.09

The following principal commodities constitutes the entire freight traffic handled during the fiscal year ending June 30, 1913, viz:

	Whole tons	Per cent of total freight tonnage
1. Products of agriculture.....	12,066	3.79
2. Products of animals.....	312	.10
3. Products of mines.....	317,422	82.38
4. Products of forests.....	10,650	2.68
5. Manufactures .....	5,778	4.46
6. Merchandise .....	10,866	3.19
7. Miscellaneous .....	12,423	3.40
<b>Totals .....</b>	<b>368,917</b>	<b>100.00</b>

## 4. Original Cost.

Under our definition of "original cost" as given heretofore, this item should be equal to the original book cost in accordance with the Interstate Commerce Commission's classifications. It appears that this company on March 2, 1912, acquired the properties of certain other railroad companies, as hereinbefore stated, for which it paid in capital stock of the San Diego and Southeastern Railway Company, the total



purchase price being \$1,572,611.34. This total can be segregated as between certain accounts, as follows:

**I. C. C. Account.**

No. 36.	Cost of road purchased -----	\$1,291,887 84
No. 37.	Steam locomotives -----	57,896 00
No. 39.	Passenger train cars -----	101,000 00
No. 40.	Freight train cars -----	121,177 50
No. 41.	Work equipment -----	650 00
Total -----		<u>\$1,572,611 34</u>

There had been spent in the period from March 2, 1912, to June 30, 1912, the date of this valuation, for additions and betterments, the additional sum of \$66,179.36, making the total original cost of road and equipment, as of June 30, 1912, the sum of \$1,638,790.70. From this latter total the company in its annual report of June 30, 1912, deducted the item of \$5,316.48 for reserve "for accrued depreciation," leaving a net total of "investment as of June 30, 1912, for road and equipment" of \$1,633,474.22. This latter total is the "original book cost" of this property.

In the final summary sheets as submitted by the company and as ascertained by the Commission's engineering department (Exhibits "A" and "B"), the "original cost" column, however, is left blank. This was done for the reason that the cash value of the stock given in exchange for the property purchased could not be ascertained. It was also impossible to itemize the total "cost of road purchased" of \$1,291,887.84 to the different accounts, so that a check by this Commission's engineering department of the cash value of the individual items acquired by the purchase of the two older companies could not be made.

It is proper to say, however, that the original cost as represented above by the grand total of \$1,638,790.70 probably very closely approximates the actual cash value of the property as of the date of the appraisal. We come to this conclusion because of the fact that both the reproduction value and the present value are in excess of the company's original cost figures.

**5. Reproduction Value.**

By referring to the railway company's final summary sheet, which is attached hereto as Exhibit "A," it will be noted that the company estimated the reproduction value for the entire line at \$2,189,603.69. The Commission's engineering department arrives at a total for the same item, as itemized in Exhibit "B," of \$2,285,874.61, which total, it appears, is \$96,270.92 in excess of the company's reproduction value figures. A comparison of Exhibits "A" and "B" will immediately show the principal reasons for this difference. It seems that certain accounts in the company's appraisal were underestimated; for instance, the accounts "right of way and station grounds," "ties," "track lay-

ing and surfacing," "steam locomotives," and "passenger train cars." There are other accounts in which the engineering department's reproduction value estimates fall below those of the company. The difference is further caused by the fact that in the company's appraisal no allowance is made for interest during construction, while the engineering department has allowed 3 per cent on Classes 3 to 53, inclusive, and 5 per cent on right of way and real estate, resulting in an amount of \$79,338.96. This was done on the assumption that it would take one year to reproduce this road and that the total cash outlay would be tied up for an average period of one half year, and that interest should be allowed during that period at the rate of 6 per cent per annum. The expenditures for the right of way and other lands, however, would necessarily be tied up for a longer period than the average of one half year, and for this reason a separate percentage allowance of 5 per cent on these accounts was made.

In connection with the determination of a reproduction value for the company's right of way and station grounds, each unit of its lines was considered separately by the Commission's engineering department and divided into "zones" for applying unit present market values. The determination of unit values was ascertained by two methods, the first involving an investigation of recent sales of land adjoining the right of way, together with which were obtained detailed opinions of local informants and experts in real estate values in the various communities. A second method was resorted to, and consisted of having local real estate men inspect carefully every portion of the right of way, and from their knowledge of land values, recent sales, asking prices, etc., determine independent unit present market values. The latter values were used in arriving at the reproduction value for these lands. The detail of all data obtained is shown in the valuation report submitted to the Commission by the engineering department.

In spite of the fact that the Commission's engineering department's reproduction value exceeds that of the company, the latter's engineer at the hearing in this case presented a statement of objections to the valuation as compiled by our engineering department. When the attention of the company's representatives was called to the fact of the engineering department's valuation being higher than theirs, the attorney answered that he did not wish to be understood as urging any objections to the engineering department's valuation as a whole, but simply wanted to be put on record as not agreeing with all of its unit prices as a proper basis for other cases.

This being the case, we are disposed to let our engineering department's figures in the final summary sheet, as shown in Exhibit "B," stand, and find as a fact from the evidence in this case that the cost of

reproducing in the condition in which they were acquired the items entering into the physical property of the San Diego and Southeastern Railway Company, as of June 30, 1912, is not in excess of the sum of \$2,285,874.61.

#### 6. Present Value.

The present value, as reported by the railway company for the entire system, is a total of \$1,897,655.87. This Commission's engineering department reported the same item, as hereinbefore defined, to be the sum of \$1,912,754.20. The engineering department's figure is therefore \$15,098.33 higher than the company's reported total. Under the heading "reproduction value" it has been shown why the engineering department's estimate exceeds that of the company, and since the "present value" is simply the depreciated and appreciated reproduction value, it follows that the explanations given under the former heading apply with equal force to "present value." The engineering department's increase is proportionately smaller, however, for the reason that our depreciation percentages in a number of accounts largely exceed those of the company.

The present value of the right of way, station grounds and real estate is made equal to the reproduction value, as is usual in cases of this kind. The item of "grading" is increased, as is the same item under "reproduction value," for the reason that grading is considered to appreciate with age. It should also be noted that the engineering department regularly allows the same amount for overhead expenses under heading "present value" as it does under "reproduction value"; in other words, nothing is subtracted for depreciation in the items of engineering, law expenses and interest. In ascertaining the depreciated reproduction value of such physical items as are subject to depreciation, the department, as usual in valuation cases, ascertained as far as possible the age of the particular item and applied such percentages of depreciation as the investigations covering this state have shown to be proper.

The railway company's objections, in so far as they apply to "present value," have already been discussed under the heading "reproduction value."

We find from the evidence in this case that the "present value," as that term has heretofore been defined, of the physical elements of the operative property of the San Diego and Southeastern Railway Company, including engineering, law expenses, and contingencies, as of June 30, 1912, to be the sum of \$1,912,754.20.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of March, 1914.

## EXHIBIT "A."

Name of owner, San Diego and Southeastern Railway Co.; operating company, same; division, entire line; miles main line track, 73.51; miles yard tracks, etc., 16.55; total, 90.09 miles.  
Valuation as of June 30, 1912.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....		\$505,687 19	104	\$524,273 54
2	2	3	Real estate.....		62,574 00	105	65,700 00
3	3	4	Grading.....		178,430 64	111	197,932 88
4	4	5	Tunnels.....				
5	5	6	Steel bridges and trusses.....		4,613 20	80	3,777 13
6	6	6	Pile and frame trestles.....		41,855 88	69	28,532 40
7	7	6	Culverts.....		5,376 53	61	3,297 49
8	8	7	Ties.....		157,849 79	58	92,483 30
9	9	8	Rails.....		286,612 36	70	199,773 44
10	10	9	Frogs and switches.....		19,567 00	64	12,509 40
11	11	10	Track fastenings and other material.....		45,821 76	73	33,511 63
12	12	11	Ballast.....		18,786 16	100	18,786 16
13	13	12	Tracklaying and surfacing.....		57,834 28	100	57,834 28
14	14	13	Roadway tools.....		3,914 31	75	2,936 43
15	15	14	Fencing right of way.....		9,426 97	80	7,491 06
16	16	15	Crossings and signs.....		2,675 32	67	1,780 28
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....				
20	20	18	Station buildings and fixtures.....		17,400 89	76	13,250 15
21	21	18	Platforms, walks, paving and curb.....		5,899 97	75	4,387 22
22	22	19	General office buildings and fixtures.....				
23	23	20	Shop buildings and engine houses.....		25,340 53	53	13,511 87
24	24	20	Transfer and turntables, cinder pits, etc.....		1,537 05	60	925 94
25	25	20	Miscellaneous shop buildings and structures.....				
26	26	21	Shop machinery and tools.....		5,342 21	45	2,410 00
27	27	22	Water stations.....		34,348 58	66	23,594 32
28	28	23	Fuel stations.....		2,652 40	71	1,896 70
29	29	24	Grain elevators.....		3,339 00	73	2,425 75
30	30	25	Storage warehouses.....				
31	31	25	Dock and wharf property.....		6,213 45	67	4,130 54
32	32	27	Electric light plants.....				
33	33	28	Electric power plants.....				
34	34	29	Electric power transmission.....		39,855 88	82	32,591 34
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....		4,675 70	73	3,406 25
Total classes 1 to 36, inclusive.....					\$1,547,650 65	87	\$1,353,155 50
37	---	1	Engineering, .. per cent, 1 to 36, inclusive.....		77,382 54	100	77,382 54
38	37	32	Transportation of men and material.....				
39	38	33	Rent of equipment.....				
40	38	34	Repairs of equipment.....				
41	---	35	Earning and operating expenses during construction.....				
42	---	35	Injuries to persons.....				
43	---	36	Cost of road purchased.....				
Total classes 1 to 43, inclusive.....					\$1,625,033 19	87	\$1,430,538 04
44	39	37	Steam locomotives.....		92,985 00	63	57,896 00
45	---	38	Electric locomotives.....				
46	40	39	Passenger train cars.....		157,414 21	80	126,478 21
47	41	40	Freight train cars.....		151,160 00	84	126,680 00
48	42	41	Work equipment.....		1,870 00	64	1,193 00
49	42	42	Floating equipment.....				
Total classes 1 to 49, inclusive.....					\$2,027,562 40	86	\$1,742,785 25
50	---	43	Law expenses, .. per cent, classes 1 to 36, inclusive.....		15,476 50	100	15,476 50
51	44	44	Stationery and printing.....				
52	44	45	Insurance.....				
53	45	46	Taxes.....				
Total classes 1 to 53, inclusive.....					\$2,043,038 90	86	\$1,758,261 75
54	---	47	Interest and commission, .. per cent, classes 1 to 53, inclusive.....				
55	45	48	Other expenditures.....				
56	---	---	Contingencies, .. per cent, classes 1 to 53, inclusive.....		102,151 94	100	102,151 94
57	46	---	Stores and supplies on hand for use in California.....		44,412 85	84	37,242 18
Grand total.....					\$2,189,603 69	86	\$1,897,655 87
Average per mile for main line track.....					29,774 32	86	25,804 40

## EXHIBIT "B."

Name of owner, San Diego and Southeastern Railway Co.; operating company, same; operating division, entire line.  
Submitted with report of Paul Thelen; date compiled, September, 1913; line first track, 73.54 miles; yard tracks, sidings, etc., 16.59 miles; total, 90.13 miles.

Class No.	Form No.	I. C. C. Act. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	1	1	Engineering		\$48,643 59	100	\$48,643 59
1	1	2	Right of way and station grounds		769,741 09	100	769,741 09
2	2	3	Real estate				
3	3	4	Grading		170,972 23	109	186,100 24
4	4	5	Tunnels				
5	5	6	Steel bridges and trusses		5,603 70	63	3,533 10
6	6	6	Pile and frame trestles		42,964 04	73	31,401 61
7	7	6	Culverts		5,427 31	75	4,098 19
8	8	7	Ties		161,691 40	55	87,886 03
9	9	8	Rails		268,544 45	60	173,343 27
10	10	9	Frogs and switches		17,457 26	65	11,227 96
11	11	10	Track fastenings and other material		44,515 25	71	31,815 78
12	12	11	Ballast		8,948 63	82	7,341 46
13	13	12	Tracklaying and surfacing		90,365 63	63	56,366 28
14	14	13	Roadway tools		4,012 21	75	3,009 15
15	15	14	Fencing right of way		3,240 25	80	2,594 76
16	16	15	Crossings and signs		2,446 51	66	1,608 28
17	17	16	Interlocking plants				
18	18	16	Signal apparatus				
19	19	17	Telegraph and telephone lines				
20	20	18	Station buildings and fixtures		19,317 02	74	14,261 65
21	21	18	Platforms, walks, paving and curb		5,222 01	68	3,548 50
22	22	19	General office buildings and fixtures		24,127 19	54	12,894 04
23	23	20	Shop buildings and engine houses				
24	24	20	Transfer and turntables, cinder pits, etc.		2,699 55	60	1,598 22
25	25	20	Miscellaneous shop buildings and structures		4,452 17	68	3,547 92
26	26	21	Shop machinery and tools		33,360 38	72	23,966 89
27	27	22	Water stations		2,330 67	60	1,402 38
28	28	23	Fuel stations		3,013 24	57	1,701 66
29	29	24	Grain elevators				
30	30	25	Storage warehouses				
31	31	26	Dock and wharf property		6,391 90	70	4,474 33
32	32	27	Electric light plants				
33	33	28	Electric power plants				
34	34	29	Electric power transmission		36,241 17	82	29,788 84
35	35	30	Gas producing plants				
36	36	31	Miscellaneous structures		9,458 60	50	4,700 46
37	37	32	Transportation of men and material				
38	38	33	Rent of equipment				
39	39	34	Repairs of equipment				
40	40	35	Earning and operating expenses during construction				
41	41	35	Injuries to persons				
42	42	36	Cost of road purchased				
43	43	37	Steam locomotives		87,237 74	60	55,241 95
44	44	38	Electric locomotives				
45	45	39	Passenger train cars		168,742 72	70	119,247 67
46	46	40	Freight train cars		139,828 44	85	119,234 54
47	47	41	Work equipment		1,767 50	72	1,272 60
48	48	42	Floating equipment				
49	49	43	Law expenses		9,728 71	100	9,728 71
50	50	44	Stationery and printing				
51	51	45	Insurance				
52	52	46	Taxes				
53	53	47	Interest and commission		42,864 61	100	42,864 61
54	54	48	Other expenditures		7,144 10	100	7,144 10
55	55	49	Stores and supplies on hand for use in California		37,304 34	100	37,304 34
56	56	50	Grand total		\$2,285,874 61	84	\$1,912,754 29
57	57	51	Average per mile for main track		31,063 42	84	26,009 71

## DECISION No. 1384.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF THE NEVADA COUNTY NARROW GAUGE  
RAILROAD COMPANY WITHIN THE STATE OF CALI-  
FORNIA, AS OF JUNE 30, 1912.

Case No. 178.

*Decided March 30, 1914.*

Proceeding on motion of Commission to ascertain various elements entering into the value of respondent's property. Terms defined.

*Findings of fact:* (1) That the reproduction value of the operative physical property of respondent as of June 30, 1912, is the sum of \$682,700.67; (2) That the present value of the operative physical property of respondent as of June 30, 1912, is the sum of \$572,449.24.

*Jesse H. Steinhart*, for Nevada County Narrow Gauge Railroad Company.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This proceeding was brought on the Commission's own initiative for the purpose of ascertaining various elements entering into the value of the property of the Nevada County Narrow Gauge Railroad Company.

Definitions of terms used herein are as follows: The term "original cost" means the original book cost, being actual expenditures, chargeable to capital account, in accordance with the classification of expenditures for road and equipment, as prescribed by the Interstate Commerce Commission for steam roads, made by the railroad company for its operative property in the State of California as of June 30, 1912.

The term "reproduction value" means the estimated cost in cash of acquiring the operative right of way and other real estate and of reproducing in the condition in which it was acquired the other physical property of the railroad company in the State of California, as of June 30, 1912, to which are added overhead expenditures for engineering, law, interest and commissions, and similar items.

The term "presnet value" means the "reproduction value" less the diminution in value of the physical elements of the property, due to use, age, obsolescence, inadequacy and other causes, plus appreciation where found. This might properly be called "depreciated reproduction value," and does not mean the ultimate fact of present value, as that term is ordinarily used.

In accordance with this Commission's order dated March 11, 1912, the Nevada County Narrow Gauge Railroad Company on November 1, 1912, filed with this Commission an inventory of its property in the

State of California, together with an estimate of the reproduction value and present value, the final summary sheet of which is attached to this decision and marked Exhibit "A."

On December 18, 1913, this Commission's engineering department submitted its detailed report in the above proceeding and a copy of the final summary sheet as presented on said date is attached and marked Exhibit "B." A copy of this report had been transmitted to the valuation engineer of the Nevada County Narrow Gauge Railroad Company prior to the last mentioned date.

A hearing was held in this case on December 18, 1913. At this hearing a number of objections were made on the part of the company's representatives to the report of this Commission's engineering department. The objections of the railroad company are embodied in a statement which was filed at the hearing and which shows a different total under the heading reproduction value as compared with the total originally submitted by the company, as will hereinafter appear. This revised valuation as introduced in evidence by the company at the said hearing is attached to this decision and marked Exhibit "C."

Thereafter, this Commission's engineering department made an investigation into the contentions and claims of the company's engineer and prepared a revised statement of reproduction value and present value, which is attached hereto and marked Exhibit "D."

The objections of the company and the adjustments made in the valuation of this Commission's engineering department will later be taken up in detail.

#### **I. Organization, Construction and Operation.**

The corporate history of the Nevada County Narrow Gauge Railroad Company dates back to 1874. The need of better transportation facilities than were afforded at that time by the stage lines operating through the mining towns of Grass Valley and Nevada City had long been felt by the mine operators and merchants of that region.

Coleman Brothers, timber operators, had a large tract of timber land which they wanted to make accessible, and succeeded in bringing the matter of a railroad connection with the Southern Pacific Company at Colfax to a head. The result was that on March 20, 1874, the California legislature granted to twenty-eight local residents of that vicinity the right to build and operate for fifty years a narrow gauge railroad between Colfax and Nevada City via Grass Valley. The franchise empowered the company to charge a maximum rate of 10 cents per mile for passenger service and 20 cents per ton per mile for freight service with a 25 per cent increase over this rate for freight hauled not over seven miles, together with a variety of other increases ranging up to 100 per cent over the 20-cent freight rate, for articles whose bulk was disproportionate to their weight. Should it develop, however, that the

net revenue derived from operation at the above rates was to exceed 12 per cent per annum on the capital invested in constructing and equipping the road, then the board of supervisors for Nevada County might at its discretion reduce rates for passenger and freight service to such a point that the investment would be made to yield not more than 12 per cent.

This franchise, three weeks after it was granted, was transferred on April 10, 1874, to the Nevada County Narrow Gauge Railroad Company, a California corporation organized on April 4, 1874, which at once commenced work on surveys and estimates for the proposed line.

The estimates of cost to fully construct and equip the road ready for operation amounted to the sum of \$411,132.56. Thereupon bonds were issued and a contract was made with one of the group of men to whom the legislature had granted the original franchise, to locate, construct and equip ready for operation a three-foot narrow gauge railroad from Colfax via Grass Valley to Nevada City, the total contract price to amount to the sum of \$500,000.00.

Shortly after the actual work of construction had commenced, the contractor found himself in financial difficulties and another contractor finally finished the road. In March, 1876, the line was practically completed. The first regular train ran from Colfax to Grass Valley on April 11, 1876, and into Nevada City on May 20, 1876. In September, 1907, the company built a "cut-off," 3.56 miles long, and completed this work in December, 1908. This line change resulted in a very material betterment of the road.

The line under consideration is a narrow gauge steam railroad, with a mileage in Placer County and Nevada County as follows:

	Placer County	Nevada County	Total
Main line .....	3.62	16.79	20.11
Spurs and sidings .....	1.73	2.39	4.12
<b>Totals</b> .....	<b>5.35</b>	<b>19.18</b>	<b>24.53</b>

The entire mileage lies in semi-mountainous and generally wooded country. The timber to-day is practically all second growth. Originally the entire territory traversed by the road was a productive mining region, but at the present time most of the mines around Grass Valley and Nevada City are shut down or abandoned on account of the exhaustion of paying ore or because of the operation of the anti-débris law. Agricultural development and consequent advance in real estate values have been quite perceptible recently, and there are to be found to-day along the right of way numerous meadows and pasture lands,



and many cleared areas, with dwellings and small orchards, and occasionally a small tract of hay or garden land.

The road operates three mixed trains each way daily between Colfax and Nevada City and a fourth train is run between Colfax and Grass Valley. At Colfax the road connects with the Central Pacific main line between San Francisco and Ogden.

## II. Stocks and Bonds.

The last annual report submitted to the Commission by this company is for the year ending June 30, 1913, and shows a capitalization as follows:

The total authorized capital stock (all common) amounts to 4,000 shares of a par value of \$100.00 per share or a total of \$400,000.00. Of this amount, stock to the par value of \$250,200.00 has been issued and is outstanding, from which a total amount of \$250,850.00 in cash was realized. It will appear, therefore, that all of this stock was sold at par and with a slight premium amounting to \$650.00 for the entire stock outstanding.

The creation of a funded debt in the shape of first mortgage bonds, secured by the entire property of the company and bearing interest at 7 per cent per annum, was authorized on January 2, 1896, for a par value of \$250,200.00. Of this amount total bonds to the amount of \$162,000.00 were sold and are outstanding. These bonds are payable in yearly installments, increasing annually until 1924 when the last of the bonds will be retired.

Recapitulation of the company's capitalization, as of June 30, 1913, will, therefore, show as follows:

Capital stock—Total par value outstanding, \$250,200.00, or \$12,259.00 per mile of main line (20.41 miles).

Funded debt—Bonds, total par value outstanding, \$162,000.00, or \$7,937.00 per mile of main line (20.41 miles).

Total par value outstanding, \$412,200.00, or \$20,196.00 per mile of main line (20.41 miles).

For twenty years no dividends were paid on this stock and surplus earnings were diverted to improvements and betterments. During the past sixteen years dividends have been declared at different times, amounting on June 30, 1913, to a total of \$52.00 per share. The rate of dividends in 1912 was 8 per cent on the par value of the outstanding common stock and in 1913, 5 per cent.

The principal improvement, the cost of which was taken care of out of earnings, was the "cut-off" or shortenings of the line mentioned heretofore, which cost \$132,285.93.

From the beginning, the company has met all of its obligations when due. The entire original capital was subscribed by local people and no stock or cash bonuses were ever paid to the promoters of the enterprise.

**III. Revenues and Expenses.**

The revenues and expenses of the railroad company for the year ending June 30, 1913, appear in its annual report on file with the Commission, as follows:

OPERATING REVENUES.	
Freight revenue .....	\$64,246 15
Passenger service train revenue.....	64,400 65
Special train service revenue.....	112 50
Miscellaneous transportation revenue.....	68 00
Total revenue from transportation.....	\$128,827 30
Revenue from operation other than transportation.....	538 39
Total operating revenue.....	\$129,365 69
OPERATING EXPENSES.	
Maintenance of way and structures.....	\$24,034 60
Maintenance of equipment.....	14,192 33
Traffic expenses .....	90,905 73
Transportation expenses .....	39,191 83
General expenses .....	19,811 04
Total operating expenses.....	\$98,135 53
Ratio of operating expenses to operating revenue, 75.86 per cent.	

It will be noted that this showing results in a net operating revenue of \$31,230.16.

After deducting an item of taxes of \$6,360.00 and adding an item of miscellaneous income of \$104.00, the gross income for the year amounted to \$24,974.16. Out of the gross income there was paid for interest on the funded debt an amount of \$11,655.00, and for amortization of discount on the funded debt, \$391.32, leaving a net income available for dividends of \$12,927.84. This income was used in a 5 per cent dividend appropriation on the common stock, amounting to \$12,510.00. After the payment of dividends there was transferred to income balance of profit and loss the sum of \$417.84. The accumulated balance to profit and loss on June 30, 1913, shows a credit item of \$81,320.65.

Below are the principal traffic figures for the year ending June 30, 1913, as taken from the company's annual report to this Commission:

PASSENGER TRAFFIC.	
Number of passengers carried earning revenue.....	93,824
Number of passengers carried one mile.....	1,025,405
Number of passengers carried one mile per mile of road.....	50,020
Average distance carried, in miles.....	10.93
Average amount received from each passenger in cents.....	60.592
Average receipts per passenger per mile, in cents.....	5.544
Passenger service train revenue, per mile of road.....	\$3,141.50
FREIGHT TRAFFIC.	
Number of tons carried earning revenue.....	31,157
Number of tons carried one mile.....	511,272
Number of tons carried one mile per mile of road.....	24,940
Average distance haul of one ton, in miles.....	16.41
Average receipts per ton mile, in cents.....	12.566
Freight revenue per mile of road.....	\$3,133.96

These figures are based on the operated mileage as stated in the annual report of the company, being a total operated mileage (all tracks) of 29.26.

#### IV. Original Cost.

Under the definition of this term, as given heretofore, the Commission's engineering department was unable to ascertain the original cost of the line as a whole, although for some individual items, notably the new cut-off, this cost can be determined from existing records. The original cost records of the company are not now in existence. The fact that \$500,000.00 were paid to the contractor in a lump sum for the original road and equipment is established only through the recollection of one of the participants in the transaction, but it is not known how much of this sum was represented by actual cash and how much by securities. Neither was any attempt ever made to segregate this sum as between various accounts or in accordance with the classification for road and equipment as prescribed by the Interstate Commerce Commission. This one half million dollars added to the \$132,285.93, representing the actual cost of the cut-off, would give a total of \$632,285.93 as being the original cost, but aside from what has been said already there must have been many charges properly belonging to capital account which have been charged to operating expenses in the past. No attempt will, therefore, be made to show the original cost of this property.

#### V. Reproduction Value.

The reproduction value estimate as presented by the railroad company on November 1, 1912 (see Exhibit "A"), for the entire line, totals \$852,929.00. The reproduction value as estimated by this Commission's engineering department's original valuation report (see Exhibit "B") is \$665,467.99.

At the hearing before the Commission on December 18, 1913, and after this Commission's engineering department's report had been transmitted to the company, the latter through its engineer filed an amended report (see Exhibit "C") which totals \$730,663.35. It will, therefore, be noted that the difference in reproduction value as between the company's original valuation and this department's valuation amounted to \$187,461.01. It will also be noted that the company on its own volition and previous to the hearing reduced its original reproduction value estimate on the basis of this Commission's engineering department's valuation by the sum of \$122,265.65. The difference between the engineering department's and the company's revised valuation will be seen to be considerably less, but still amounts to \$47,962.68.

It will be shown hereafter that some adjustments were made subsequent to the hearing in this case in accordance with which a revised

total for reproduction value was ascertained by this Commission's engineering department. This revised reproduction value, for the entire road, as shown in Exhibit "D," aggregates \$682,700.67.

The railroad company made certain objections and attacks on the engineering department's reproduction value estimate.

1. *Right of way and real estate.*

Mr. J. B. Pope, valuation engineer of the Southern Pacific Company, who was in charge of the valuation submitted by this company, stated that in his opinion the right of way of this road could not be reproduced at this time for less than \$30,070.00, exclusive of the abandoned right of way that was thrown out on account of a line change. In arriving at this figure he doubled the present market value of land adjacent to the right of way on the assumption that this would be a fair basis for making an estimate of what it would cost the railroad company to reproduce this property. In support of his figure he further stated that the actual cost of this right of way was in excess of \$30,000.00. This Commission's engineering department estimated the reproduction value of right of way at the sum of \$24,529.14. This figure was based on a so-called right of way multiple of  $1\frac{1}{2}$  as compared with a market value of adjoining land, to represent the necessary additional cost to acquire this land as railroad right of way, to which further was added 10 per cent to cover the cost of overhead and incidental expenses and also 5 per cent for interest during the construction period. Practice in this State has shown that land can be purchased for railroad right of way at less than the multiple of  $1\frac{1}{2}$  as compared with market value; nevertheless, the 50 per cent additional on this road was allowed because of the irregularity of land subdivisions in the shape of mining claims. The engineering department's procedure in determining the right of way multiple is based on actual cost data covering acquisition of right of way on over 1,000 miles of road in this State. As to the company's contention that the original cost of the right of way was in excess of \$30,000.00, it was shown by the Commission's engineer that this cost was in fact but \$16,087.00. In view of these facts, I am satisfied to permit the engineering department's estimate of the cost to reproduce the company's right of way to stand at \$24,529.14.

The reproduction value as estimated, represents the amount of money which it would take at the present time to purchase all of the company's right of way and station grounds on the assumption that none of it would be donated. This method always results in a large increase of the reproduction value over the actual original cost, including, as it does, whatever unearned increment may be included in the present value of such right of way. The proper placing of this item of

unearned increment in the valuation of public utilities presents a very difficult problem. As this valuation concerns itself with the findings of actual facts only, no opinion will be expressed as to whether or not in a rate fixing inquiry it is just to the public to credit the utility with the present value of real estate in which only a portion of the actual value may have been actually invested by the utility.

## 2. *Rails.*

A question was brought up in regard to rails and fastenings when the company's engineer stated that the steel in this company's track had originally been purchased new, while the engineering department's report showed that the same steel had been bought second-hand. Subsequent investigations by the engineering department showed that the company was correct in its contention, and the reproduction value of the rail account was revised accordingly.

## 3. *Track fastenings.*

The change in the reproduction value of rail automatically affected the item of track fastenings, and this account was, therefore, revised on the same basis. There was also found an error in computation in this account which was likewise rectified.

## 4. *Ballast.*

Objections were made to the unit prices used by the engineering department for ballast. This matter was also reinvestigated by the engineering department, and it was found that the company's engineer's main objection was to the price for rock ballast. The engineering department's price for gravel ballast is figured on practically the same as the company's basis, except that the company's figures included the cost of an average haul of twenty-five miles. There was, in fact, no such haul on this line and it is, therefore, considered that the engineering department's price is just. In regard to rock ballast, different considerations enter. It appears that all rock ballast on this line came from adjoining cuts, and since all grading quantities were obtained by the company's engineer by remeasuring the cuts, it is clear that any material used for ballast is included in these measurements. The same quantity will then be paid for twice, once in the grading quantities and once in the form of rock ballast. A small proportion of the rock ballast was taken from adjoining mine dumps, but the greater part came from cuts. The company paid no royalty on the rock taken from mining dumps. Under these circumstances I conclude that the price for rock ballast is sufficient and the ballast account is not revised.

No other objections were made with reference to reproduction value on any other figures put down in the engineering department's original valuation.

The usual overhead allowances are made on the increases under the foregoing accounts and a summary of all adjustments under this heading appears as follows:

INCREASES IN REPRODUCTION VALUE.	
1. Rails -----	\$13,724 60
2. Track fastenings -----	2,008 66
3. Engineering -----	786 67
4. Law expenses -----	157 34
5. Interest -----	472 02
6. Insurance, taxes and other expenditures -----	83 39
Total increase -----	\$17,232 68

After a careful consideration of all the evidence in this case bearing on the matter of reproduction value, including the supplemental investigations conducted by the Commission's engineering department in line with the testimony developed at the hearing, mentioned heretofore, I find the reproduction value, as that term is herein defined, of the operative property of the Nevada County Narrow Gauge Railroad Company in the State of California, as of June 30, 1912, to be the sum of \$682,700.67.

#### VI. Present Value.

In the company's valuation report, as submitted to the Commission, no separate estimate appears under the heading "Present Value." It is the company's contention that the present value is equal to the reproduction value, in this case \$852,929.00 according to the company's original estimate, or \$730,663.35, according to the company's revised estimate.

This Commission does not take such a view of this matter.

The United States Supreme Court has repeatedly emphasized the importance of determining the "present value," meaning thereby a depreciated "reproduction value," as distinguished from the "reproduction value," meaning the cost to reproduce. This is most clearly set forth in the recent so-called Minnesota Rate Cases. It will not be necessary here to review the court's line of reasoning.

In this valuation the factor of depreciation has been taken into consideration on all classes of property, the value of which lessens with age and through use, and the other factor of appreciation is equally considered wherever it may occur.

In the original valuation made by the Commission's engineering department the present value of the company's property was estimated to be \$559,709.18. The revisions made under the heading "Reproduction Value," however, necessitate a revision of the "present value" also. The changes made will now be taken up in detail as was done under the heading "Reproduction Value."

1. *Rails.*

The fact that the rails were bought new instead of second-hand has, of course, raised the condition per cent of the steel. The actual amount of increase in this account of present value will appear in the summary below.

2. *Track fastenings.*

The facts as stated with regard to rail will apply to this account also.

3. *Tracklaying and surfacing.*

The adjustment of present value in the accounts "rail" and "track fastenings" affects also the account of "tracklaying and surfacing." The condition per cent of the latter account is estimated to be the weighted average of all the elements entering into the track, viz, ties, rails, fastenings, frogs and switches and ballast. An increase or decrease in the condition per cent of any of the foregoing accounts raises or lowers the condition per cent of "tracklaying and surfacing" in proportion. In this case the revision results in a slight decrease of the present value.

4. *Overhead expenses.*

The overhead expenses, as shown in the reproduction value, are carried over in the present value column in the Commission's engineering department's appraisal at 100 per cent.

The increases made under the heading "Present Value" are then summarized as follows:

1. Rails -----	\$11,415 96
2. Track fastenings -----	497 95
3. Tracklaying and surfacing (decrease) *-----	*673 27
4. Engineering—100 per cent of reproduction value-----	786 67
5. Law expenses—100 per cent of reproduction value-----	157 34
6. Interest—100 per cent of reproduction value-----	472 02
7. Insurance, taxes and other expenditures-----	83 39
Total increase -----	<b>\$12,740 06</b>

With the above total increase added to the Commission's engineering department's original total under this heading, I find in this case that the "present value," as hereinbefore defined, of the operative property of the Nevada County Narrow Gauge Railroad Company, in the State of California, as of June 30, 1912, is the sum of \$572,449.24.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of March, 1914.

## EXHIBIT "A."

Name of owner, Nevada County Narrow Gauge Railroad Company; operating company, same; from Colfax to end of line: miles of main line track, 20.412; miles yard tracks, etc., 4.243; total, 24.655. Valuation as of June 30, 1912. Date compiled, October, 1912.

Class No.	Form No.	I. C. C. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value.
1	1	2	Right of way and station grounds.....		\$30,070 00		Company claims that "Present Value" is equal to "Reproduction Value."
2	2	3	Real estate .....				
3	3	4	Grading .....		170,456 00		
4	4	5	Tunnels .....		29,151 00		
5	5	6	Steel bridges and trusses.....		71,824 00		
6	6	6	Pile and frame trestles.....		17,154 00		
7	7	6	Culverts .....		9,572 00		
8	8	7	Ties .....		32,090 00		
9	9	8	Rails .....		60,788 00		
10	10	9	Frogs and switches.....		3,794 00		
11	11	10	Track fastenings and other material.....		9,245 00		
12	12	11	Ballast .....		10,539 00		
13	13	12	Tracklaying and surfacing.....		27,493 00		
14	14	13	Roadway tools .....		1,100 00		
15	15	14	Fencing right of way.....		7,757 00		
16	16	15	Crossings and signs.....		287 00		
17	17	16	Interlocking plants .....				
18	18	16	Signal apparatus .....				
19	19	17	Telegraph and telephone lines.....		629 00		
20	20	18	Station buildings and fixtures.....		18,700 00		
21	21	18	Platforms, walks, paving and curb.....		8,694 00		
22	22	19	General office buildings and fixtures.....		1,600 00		
23	23	20	Shop buildings and engine houses.....		20,427 00		
24	24	20	Transfer and turntables, cinder pits, etc.....		3,249 00		
25	25	20	Miscellaneous shop buildings and structures.....		3,848 00		
26	26	21	Shop machinery and tools.....		5,288 00		
27	27	22	Water stations .....		2,478 00		
28	28	23	Fuel stations .....		2,632 00		
29	29	24	Grain elevators .....				
30	30	25	Storage warehouses .....				
31	31	26	Dock and wharf property.....				
32	32	27	Electric light plants.....				
33	33	28	Electric power plants.....				
34	34	29	Electric power transmission.....				
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures .....		2,768 00		
37	37	1	Total classes, 1 to 36, inclusive.....		\$551,543 00		
38	38	32	Engineering, 5 per cent, 1 to 36, inclusive.....		27,559 00		
39	39	33	Transportation of men and material.....		14,124 00		
40	40	34	Rent of equipment.....				
41	41	35	Repairs of equipment.....				
42	42	35 1/2	Earnings and operating expenses during construction.....		1,230 00		
43	43	36	Injuries to persons.....		412 00		
44	44	37	Cost of road purchased.....				
45	45	38	Total classes, 1 to 43, inclusive.....		\$594,888 00		
46	46	39	Steam locomotives .....		37,910 00		
47	47	40	Electric locomotives .....				
48	48	41	Passenger train cars.....		18,724 00		
49	49	42	Freight train cars.....		33,147 00		
50	50	43	Work equipment .....		1,100 00		
51	51	44	Floting equipment .....				
52	52	44	Total classes, 1 to 49, inclusive.....		\$681,039 00		
53	53	45	Law expenses, 1 per cent, classes 1 to 36, inclusive.....		5,515 00		
54	54	46	Stationery and printing.....		2,298 00		
55	55	47	Insurance .....		384 00		
56	56	48	Taxes .....		2,372 00		
57	57	49	Total classes, 1 to 53, inclusive.....		\$696,638 00		
58	58	50	Interest and commission, 11 per cent, classes 1 to 53, inclusive.....		113,039 00		
59	59	51	Other expenditures .....		35,233 00		
60	60	52	Contingences, 11 per cent, classes 1 to 53, inclusive.....				
61	61	53	Stores and supplies on hand for use in California.....		8,019 60		
62	62	54	Grand total .....		\$852,929 00		
63	63	55	Average per mile for main line track.....		41,786 00		



## EXHIBIT "B."

Owning company, Nevada County Narrow Gauge Railroad Company; operating company, same; operating division, entire line in California; from Colfax to Nevada City; Nevada and Placer counties.  
Submitted with report of H. J. Bernier, assistant engineer. Date compiled, October 17, 1913; main line track, 20.412 miles; yard tracks, sidings, etc., 4.243 miles; total, 24.655.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value.
37	---	1	Engineering, 5 per cent of Reproduction Value of classes 3 to 36, inclusive.		\$24,412 06	100	\$24,412 06
1	1	2	Right of way and station grounds.		24,529 14	100	24,529 14
2	2	3	Real estate.				
3	3	4	Grading.		162,030 65	107.92	174,870 84
4	4	5	Tunnels.		36,878 03	88.65	32,692 97
5	5	6	Steel bridges and trusses.		76,008 51	91.63	69,648 56
6	6	6	Pile and frame trestles.		17,334 02	74.93	12,988 74
7	7	6	Culverts.		7,159 62	80.35	5,733 29
8	8	7	Ties.		24,296 89	37.8	9,191 30
9	9	8	Rails.		43,820 18	75.52	33,094 86
10	10	9	Frogs and switches.		3,722 15	60	2,233 28
11	11	10	Track fastenings and other material.		5,130 46	78.28	4,019 39
12	12	11	Ballast.		7,609 03	100	7,609 03
13	13	12	Tracklaying and surfacing.		24,998 83	70.53	17,633 86
14	14	13	Roadway tools.		1,129 33	75	847 00
15	15	14	Fencing right of way.		6,347 29	79.28	5,031 92
16	16	15	Crossings and signs.		129 95	74.61	97 03
17	17	16	Interlocking plants.				
18	18	16	Signal apparatus.				
19	19	17	Telegraph and telephone lines.		1,022 50	94.52	966 65
20	20	18	Station buildings and fixtures.		19,962 81	65.5	13,087 04
21	21	18	Platforms, walks, paving and curb.		9,441 46	80.62	7,611 75
22	22	19	General office buildings and fixtures.		1,484 32	74	1,096 10
23	23	20	Shop buildings and engine houses.		18,537 71	66	12,326 49
24	24	20	Transfer and turntables, cylinder pits, etc.		3,686 55	74+	2,739 03
25	25	20	Miscellaneous shop buildings and structures.				
26	26	21	Shop machinery and tools.		3,279 60	63	2,066 08
27	27	22	Water stations.		5,540 96	64+	3,562 86
28	28	23	Fuel stations.		2,336 11	52.3	1,221 76
29	29	24	Grain elevators.		3,583 06	74	2,654 25
30	30	25	Storage warehouses.				
31	31	26	Dock and wharf property.				
32	32	27	Electric light plants.				
33	33	28	Electric power plants.				
34	34	29	Electric power transmission.				
35	35	30	Gas producing plants.				
36	36	31	Miscellaneous structures.		2,761 35	57.4	1,583 96
37	37	32	Transportation of men and material.				
38	38	33	Rent of equipment.				
39	39	34	Repairs of equipment.				
40	40	35	Earning and operating expenses during construction.				
41	41	35	Injuries to persons.				
42	42	36	Cost of road purchased.				
43	43	37	Steam locomotives.		40,243 00	55.7	22,110 00
44	44	38	Electric locomotives.				
45	45	39	Passenger train cars.		19,275 00	50+	9,785 00
46	46	40	Freight train cars.		32,394 00	50+	18,187 00
47	47	41	Work equipment.		1,344 31	76-	1,028 79
48	48	42	Floating equipment.				
49	49	43	Law expenses, 1 per cent of Reproduction Value of classes 3 to 36, inclusive.		4,892 41	100	4,892 41
50	50	44	Stationery and printing, included in class 37.				
51	51	45	Insurance, included in class 55.				
52	52	46	Taxes, included in class 55.				
53	53	47	Interest and commission, 3 per cent of Reproduction Value, classes 3 to 53, inclusive.		18,352 06	100	18,352 06
54	54	48	Other expenditures, includes classes 52 and 53, 1 of 1 per cent, classes 3-53.		3,053 96	100	3,053 96
55	55	49	Stores and supplies on hand for use in California.		8,749 68	100	8,749 68
56	56	50	Grand total.		\$35,467 99	84.1	\$39,709 18
57	57	51	Average per mile for main track.		32,604 80	84.1	27,423 26
			Total "Road," I. C. C. Account 1 to 36, inclusive.		\$537,182 57	87.59	\$473,569 58
			Total "Equipment," I. C. C. Account 37 to 42, inclusive.		93,256 31		51,110 79
			Total "General Expenses," I. C. C. Account 43 to 48, inclusive.		26,288 43		26,288 43
			Total "Classes" 3 to 36, inclusive.		488,241 37		424,928 08
			Total "Classes" 3 to 53, inclusive.		610,792 15		505,063 34
			Total "Classes" 1 to 2, inclusive.		24,529 14		24,529 14

## EXHIBIT "C."

Owning company, Nevada County Narrow Gauge Railroad Company; operating company, same; operating division, entire line in California; valuation unit, entire line in California; from Colfax to Nevada City; Nevada and Placer counties.  
Letter from J. B. Pope, assistant engineer, December 17, 1913.

Classes	Original cost	Reproduction value	Cond. per cent	Present value.
1 Engineering		\$25,745 00		Company claims that "Present Value" is equal to "Reproduction Value."
2 Right of way and station grounds		30,070 00		
3 Real estate				
4 Grading		170,456 00		
5 Tunnels		29,151 00		
6 Steel bridges and trusses		98,550 00		
6 Pile and frame trestles				
6 Culverts				
7 Ties		26,790 00		
8 Rails		43,820 18		
9 Frogs and switches		3,722 15		
10 Track fastenings and other material		9,245 00		
11 Ballast		10,539 00		
12 Tracklaying and surfacing		27,495 00		
13 Roadway tools		1,100 00		
14 Fencing right of way		7,757 00		
15 Crossings and signs		287 00		
16 Interlocking plants				
17 Signal apparatus				
18 Telegraph and telephone lines		629 00		
19 Station buildings and fixtures		27,304 00		
20 Platforms, walks, paving and curb				
21 General office buildings and fixtures		1,000 00		
22 Shop buildings and engine houses		27,524 00		
23 Transfer and turntables, chlder pits, etc.				
24 Miscellaneous shop buildings and structures				
25 Shop machinery and tools		5,288 00		
26 Water stations		2,478 00		
27 Fuel stations		2,632 00		
28 Grain elevators				
29 Storage warehouses				
30 Dock and wharf property				
31 Electric light plants				
32 Electric power plants				
33 Electric power transmission				
34 Gas producing plants				
35 Miscellaneous structures		2,768 00		
36 Transportation of men and material		14,124 00		
37 Rent of equipment				
38 Repairs of equipment				
39 Earning and operating expenses during construction		1,230 00		
40 Injuries to persons		412 00		
41 Cost of road purchased				
42 Steam locomotives		37,910 00		
43 Electric locomotives				
44 Passenger train cars		18,724 00		
45 Freight train cars		33,447 00		
46 Work equipment		1,100 00		
47 Floating equipment				
48 Law expenses		5,149 00		
49 Stationery and printing		2,298 00		
50 Insurance		384 00		
51 Taxes		2,372 00		
52 Interest and Commission, 3 per cent, 1 and 4 to 41, inclusive		18,954 76		
53 Other expenditures		31,591 26		
54 Construction material on hand for use in California		8,019 00		
Grand total		730,663 35		
Average per mile for main track				

## EXHIBIT "D."

Owning company, Nevada County Narrow Gauge Railroad Company; operating company, same; operating division, entire line in California; valuation unit, entire line in California; from Colfax to Nevada City; Nevada and Placer counties.

Submitted with report of assistant engineer, M. H. Brinkley; date compiled, January 6, 1914; main line track, 20.412 miles; yard tracks, sidings, etc., 4.243 miles; total, 24.655 miles.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value.
37	1	1	Engineering, 5 per cent of Reproduction Value of classes 3 to 36, inclusive.		\$25,196 73	100	\$25,196 73
1	1	2	Right of way and station grounds.		24,529 14	100	24,529 14
2	2	3	Real estate				
3	3	4	Grading		162,030 65	108	174,870 84
4	4	5	Tunnels		36,878 03	89	32,692 97
5	5	6	Steel bridges and trusses		76,008 51	92	69,648 56
6	6	6	Pile and frame trestles		17,334 02	75	12,988 74
7	7	6	Culverts		7,159 62	80	5,753 29
8	8	7	Ties		24,296 89	38	9,191 30
9	9	8	Rails		57,544 78	77	44,510 84
10	10	9	Frogs and switches		3,722 15	60	2,233 28
11	11	10	Track fastenings and other material		7,139 12	63	4,517 34
12	12	11	Ballast		7,019 03	100	7,009 03
13	13	12	Tracklaying and surfacing		24,968 83	68	16,960 59
14	14	13	Roadway tools		1,129 33	75	847 00
15	15	14	Fencing right of way		6,347 29	79	5,031 92
16	16	15	Crossings and signs		129 95	75	97 03
17	17	16	Interlocking plants				
18	18	16	Signal apparatus				
19	19	17	Telegraph and telephone lines		1,022 50	94	935 66
20	20	18	Station buildings and fixtures		19,962 81	66	13,067 04
21	21	18	Platforms, walks, paving and curb		9,441 46	81	7,611 75
22	22	19	General office buildings and fixtures		1,484 32	74	1,096 10
23	23	20	Shop buildings and engine houses		18,537 71	66	12,326 49
24	24	20	Transfer and turntables, cinder pits, etc.		3,096 55	74	2,239 03
25	25	20	Miscellaneous shop buildings and structures				
26	26	21	Shop machinery and tools		3,279 60	63	2,066 08
27	27	22	Water stations		5,540 93	64	3,562 88
28	28	23	Fuel stations		2,336 11	52	1,221 76
29	29	24	Grain elevators		3,583 06	74	2,654 25
30	30	25	Storage warehouses				
31	31	26	Dock and wharf property				
32	32	27	Electric light plants				
33	33	28	Electric power plants				
34	34	29	Electric power transmission				
35	35	30	Gas producing plants				
36	36	31	Miscellaneous structures		2,761 57	57	1,563 96
37	37	32	Transportation of men and material				
38	38	33	Rent of equipment				
39	39	34	Repairs of equipment				
40	40	35	Earning and operating expenses during construction				
42	42	35	Injuries to persons				
43	43	36	Cost of road purchased				
44	44	37	Steam locomotives		40,243 00	56	22,110 00
45	45	38	Electric locomotives				
46	46	39	Passenger train cars		19,275 00	50	9,785 00
47	47	40	Freight train cars		32,394 00	56	18,187 00
48	48	41	Work equipment		1,344 31	70	1,028 79
49	49	42	Floating equipment				
50	50	43	Law expenses, 1 per cent of Reproduction Value of classes 3 to 36, inclusive.		5,039 75	100	5,039 75
51	51	44	Stationery and printing, included in class 37				
52	52	45	Insurance, included in class 55				
53	53	46	Taxes, included in class 55				
54	54	47	Interest and commission, 3 per cent of Reproduction Value, classes 3 to 53, inclusive		18,824 08	100	18,824 08
55	55	48	Other expenditures, $\frac{1}{2}$ of 1 per cent of classes 3 to 53 of Reproduction Value, inclusive		3,137 35	100	3,137 35
57	57	49	Stores and supplies on hand for use in California		8,740 68	100	8,740 68
			Grand total		\$682,700 67	84—	\$572,449 24
			Average per mile for main track		33,449 32	84—	28,047 50
			Total Road Accounts, I. C. C. 1 to 36, inclusive		\$553,702 50		\$509,400 72
			Total Equipment, I. C. C. 37 to 42, inclusive		93,256 31		51,110 79
			Total General Expenses, I. C. C. 43 to 48, inclusive		27,029 48	100	27,029 48

## DECISION No. 1385.

L. Y. MONTGOMERY ET AL.

*vs.*

THE FRESNO CANAL AND IRRIGATION COMPANY.

Case No. 397.

*Decided March 28, 1914.*

Supplemental order approving rules and regulations of the Fresno Canal and Irrigation Company filed in accordance with this Commission's order of July 24, 1913, in the above entitled proceedings.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

In its order heretofore rendered in the above entitled proceeding on July 24, 1913, this Commission directed the Fresno Canal and Irrigation Company "to adopt and enforce, subject to this Commission's authority, such reasonable rules and regulations" as might be necessary to supply to its customers the full amount of water to which each thereof is ratably entitled.

Numerous conferences have been held between the defendant and its consumers and this Commission's hydraulic department for the purpose of agreeing upon rules and regulations to be adopted by the defendant. The rules and regulations originally proposed by the defendant have been very materially altered and modified from time to time. The final result of these labors is represented in the rules and regulations which will be set out in the order herein. These rules and regulations are now reported by this Commission's hydraulic department to be satisfactory, at least for the present.

I recommend the following supplemental order:

## SUPPLEMENTAL ORDER.

*It is hereby ordered* that the following information, rules and regulations for the Fresno Canal and Irrigation Company, and its water users, be established by the Fresno Canal and Irrigation Company, effective April 1, 1914:

INFORMATION, RULES AND REGULATIONS FRESNO CANAL AND  
IRRIGATION COMPANY AND ITS WATER USERS.

## Rule 1. Operation and Maintenance of System.

The Fresno Canal and Irrigation Company will operate and maintain all diversion works, main canals, branch canals and laterals, where it is the established duty of the company to do so.

On any portion of the distributing system which the company is not now obligated to maintain and operate, any user may request the company to assume control. The company will then approach all users, suggesting a sum for which the company will place the ditch in proper condition, and, further, the rate per acre per annum for which in the future the maintenance and operation will be assumed. Should this be agreed to unanimously, the company will forthwith assume control. It may be arranged that either the users or the company shall put the ditch initially in good condition, the actual cost to be paid by the users.

Should the arrangements mentioned in the preceding paragraph fail of agreement by all parties, the user or users desirous of this change may apply to the Railroad Commission, which will decide whether it will be for the furtherance of public convenience to grant the application; and if it be granted, will fix the payment and rates due the company for such increased service, and the time and method of deposit of the payment for such service.

The company retains the right to supervise the delivery of water to all individuals who make direct payment to it, wherever in the flow of its water supply, and will require that all distributaries not under its direct control shall be maintained in proper condition for the distribution of water to individual consumers.

**Rule 2. Definition of "Pro Rata" Delivery.**

A "pro rata" delivery means a simultaneous flow available at a point nearest on the company's system for the use of each and every consumer, in an exact proportion of the total amount available, based on the individual's right to receive, as fixed by acreage, contract, payment or otherwise. This method may be applied to all or a part of the system.

**Rule 3. Definition of "Rotation."**

"Rotation" means that method of delivery whereby water is carried through a portion of the distribution system, for a portion of the time. In larger amount than otherwise available, the aim being to deliver to each consumer ultimately as exact a proportion as by "prorating."

**Rule 4. Protection and Delivery of Full Supply.**

The company will endeavor at all times to divert all water legally within its right into the canals of the system up to the aggregate amount of demands upon it, and will use every endeavor to protect the water supply available, and transmit same in proper proportional amount to the points on its system nearest by the established routes to its individual consumers. When sufficient water is available to supply all demands, it will be distributed at all division points and turn-outs to branch canals and laterals in a proportional part of the total flow available, allowing for seepage loss, this proportion being based upon

the acreage and recognized rights to demand service upon each part of the system; that is, the total amount that it is determined can be delivered from the supply available, will be ratably divided.

**Rule 5. Delivery of Intermediate Supply.**

When the supply available at the hands of the company is insufficient to fully supply demands, but is above 50 per cent of the amount demanded, water will be prorated between distributaries of more than 200 cubic feet per second capacity, and may be rotated between smaller distributaries.

**Rule 6. Delivery of Supply Below 50 per cent.**

When the supply available is not sufficient to satisfy 50 per cent of the demand, the company may rotate in all portions of the distribution system. So far as is possible, a forecast will be made of the available water supply, and rotation between main canals shall be so planned as to provide a full head in each canal during the period of flow, which period will be varied in accordance with the amount of the total supply and as many as may be of the branch canals and laterals will be filled simultaneously, and it will be planned to provide a continued flow for sixteen or eighteen days.

**Rule 7. Notice of Water Delivery.**

The company will provide bulletin boards at convenient points, and will give notice thereon, and by other feasible means, of the time of beginning and ending of rotation periods upon each of the branch ditches and upon all parts of the system where delivery is made by the company direct to the individuals. The company will give information of the beginning and duration of each run of water sufficiently in advance for the guidance of consumers. Such publication of rotation periods shall be not less than three days before the beginning of the period, except in case of emergency, when the best endeavor will be made by the company through all means in its power to spread the necessary information.

**Rule 8. Rotation of Service in Cycles.**

As nearly as is practicable, each individual or aggregation of individuals will be given a ratable service within a single season; provided this has not been done, the rotation shall continue in cycles; that is, those receiving a deficient supply in the preceding season shall be served in precedence of others during the following year.

**Rule 9. Rotation Delivery to Individuals.**

Between individual users along the main canals of the company and on minor distributaries where each individual may use the full flow of such distributary, delivery shall be by rotation, commencing generally at the farther end of such laterals, water being delivered to consumers

in turn, the length of time being in accordance with the acreage and right. On larger distributaries delivery shall be limited to a rate of 4 cubic feet for twenty-four hours to each 20-acre lot, and to as many irrigators simultaneously as is possible with the supply available. When rotation has been resorted to in delivery to the main branches, the time period shall be reduced proportionately, but the endeavor will be to deliver heads sufficient in amount for the most beneficial use.

Water must be used continuously day and night and should irrigation be completed before the scheduled termination of a period of flow, the superintendent or ditch tender should be notified to have the delivery stopped.

Consumers are responsible for all water delivered to them and must make beneficial use of the entire amount, allowing no avoidable waste.

**Rule 10. Deviations from Schedules.**

Deviation from the established schedule will be allowed only by *previous arrangement* and when the efficiency of the system is not thereby seriously impaired, so that irrigators desiring a less flow for a length of time may be accommodated, and in case an irrigator is not ready for water when his turn is scheduled, he may exchange with another.

**Rule 11. Credit for Nonuse.**

When a water user has not taken advantage of the supply available during any period, nor arranged an exchange with another user, he may be supplied during the next period, provided there is more water available than sufficient to supply all demands.

**Rule 12. Control Over System.**

(a) The structures on the company's canal system will be under the exclusive control of the company's employees. The superintendent will give full instructions to ditch tenders in regard to all changes to be made in the flow of water. Any other person tampering with or in any manner changing the arrangement of gates or flashboards in any turnout, check, drop or other structure of the canal company, will be dealt with according to law.

(b) The superintendent may grant special permission from time to time to irrigators to alter flashboards or gates, which permission should be in writing, or by message later substantiated by a written communication, and will be for the specific time only. It may, however, be arranged that a number of users on a lateral shall change their gates in compliance with an established rotation schedule.

**Rule 13. Deductions for Oversupply.**

If any consumer shall have been found through his own or any other unauthorized person's acts to have obtained more than his ratable

supply of water, the amount above his proper supply shall be deducted from later runs, to compensate the other consumers.

**Rule 14. Unit of Measurement.**

The unit of measurement will be the cubic foot per second.

**Rule 15. Measurement of Water and Records.**

Gauging stations will be established at points in the main and branch canals. At all practicable points in the laterals, weirs or other measuring devices will be placed in sufficient number to arrive at a close approximation of the amounts of water delivered at all points upon the system of the company. Records shall be kept in the office of the company showing throughout the season the amount of water that has passed each such point, and will be carried to totals by months, and each interested party will on request be informed at the close of the season of the amount of water which he must reasonably have received in so far as the jurisdiction of the company extends.

**Rule 16. District Superintendents and Ditch Tenders.**

The official personnel of the company who will deal with consumers will include two district superintendents, whose duty will be the supervision of the individual ditch tenders and the keeping of records of the amounts of water turned into canals, branches and laterals and chargeable to individual consumers. A sufficient number of ditch tenders will be employed to visit once daily, practically every point on the system where water is running. Their duty will be to follow strictly the instructions of the district superintendents in the delivery of water to the various consumers, to make gauge and weir readings at all established measuring points, to guard and care for the property of the company used in the distribution of water, to see that water is not wasted, to report any case of such wasting of water by consumers and trespassers upon any part of the company's system, tampering with gates and flashboards and complaints made along their respective beats. Complaints may also be made directly to the company's office, in writing or by phone.

**Rule 17. Rotations Between Company and Consumers.**

All officials of the company are instructed to aid the water users in every manner, and to courteously and respectfully consider all criticisms and suggestions. The company will meet with the desires of each consumer in so far as it can do so with justice to all interested parties.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of March, 1914.



## DECISION No. 1386.

IN THE MATTER OF THE RATES CHARGED AND SERVICE RENDERED BY H. R. ATWOOD, ALSO DOING BUSINESS UNDER THE NAME OF ENCANTO MUTUAL WATER COMPANY FOR WATER SUPPLIED TO HIS CUSTOMERS AT ENCANTO, SAN DIEGO COUNTY, CALIFORNIA.

---

Case No. 547.

*Decided March 28, 1914.*

---

After careful investigation of the circumstances surrounding the construction of this plant; *Held*, that such rates should not be established as would permit of a return upon capital invested, as such capital was obtained from consumers in increased prices paid for land purchased from company building this system.

*Held*, That the following rates are just and reasonable rates to be charged by defendant company; 25 cents per thousand gallons, with a minimum monthly bill of \$1.25; 20 cents per thousand for a monthly consumption through one meter in excess of 15,000 gallons.

*C. J. Novotny*, for H. R. Atwood,

*L. A. Wright and Allan Brant*, for Encanto Water League,

*Tyndale Palmer*, for Guy D. Loomis.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an investigation on the Commission's own motion into the rates charged and the services rendered by H. R. Atwood, also doing business under the name of Encanto Mutual Water Company, for water supplied to his consumers at Encanto, San Diego County, California.

Encanto consists of unincorporated territory on the mesa east of the city of San Diego. The territory served with water by H. R. Atwood consists of that portion of Encanto which is shown on a map of a subdivision thereof, known as Encanto Heights, and filed in 1907, together with five or six customers who receive their water within the limits of this tract but convey it through their own pipes to territory located outside of the tract. The Encanto Heights tract consists of some 1,000 or 1,100 acres. In 1913, Atwood had a total of 260 taps and 320 meters within this territory, including the five or six outside customers.

The water mains formerly owned by the Southern California Mountain Water Company and now the property of the city of San Diego run through the Encanto Heights tract. The water system operated by

Atwood secures water from this main by means of three meters. Atwood's system consists of:

- One reinforced concrete reservoir;
- Two 25,000-gallon redwood tanks;
- Two 8,000-gallon redwood tanks;
- One 5,000-gallon redwood tank;
- One 25-horsepower motor and pump;
- One 5-horsepower motor and pump;
- 1,200 feet  $\frac{3}{4}$ -inch pipe;
- 5,200 feet 1-inch pipe;
- 800 feet  $1\frac{1}{4}$ -inch pipe;
- 12,000 feet  $1\frac{1}{2}$ -inch pipe;
- 65,000 feet 2-inch pipe;
- 14,000 feet 3-inch pipe;
- 9,000 feet 4-inch pipe;
- Two small pump houses;
- 1 small office building;
- One shop;

The land for the reservoir, tanks, office building and shop.

While a portion of Atwood's territory can be supplied by gravity flow, it is necessary, to supply the higher portions, to do considerable pumping into the reservoir and tanks, thus materially increasing the operating expenses.

Heretofore, in Application No. 461, this Commission rendered its Decision No. 621, dated April 29, 1913, on the application of the Encanto Mutual Water Company to increase rates for service of water to its patrons at Encanto. Reference is hereby made to the opinion and order in said proceeding. It appears from the opinion therein that the legal rate to be charged by the Encanto Mutual Water Company to its customers prior to the date of the hearing was 10 cents per thousand gallons. The applicant drew to the Commission's attention an ordinance of the board of supervisors of San Diego County, dated September 12, 1911, purporting to increase the rate to be charged for water by the Southern California Mountain Water Company, from whose system the applicant secured its water, from 10 cents to 20 cents per thousand gallons. The applicant represented that it could not possibly sell water at 10 cents per thousand gallons while it was paying therefor 20 cents per thousand gallons, with no consideration given to operating expenses. The applicant represented that it would be willing for the time to accept a rate of 25 cents per thousand gallons, with a minimum of \$1.30 per month, this having been the rate which applicant had been collecting prior to the time its attention was drawn to the fact that the legal rate was only 10 cents per thousand gallons. The Commission, acting in the belief that the legal rate to be charged by the city of San Diego was 20 cents per thousand gallons and that the operating expenses would be at least 5 cents per thousand gallons, accordingly made its order authorizing Encanto Mutual Water Company to charge 25 cents per thousand

gallons, with a minimum of \$1.30 per month. After the decision in said proceeding had been rendered, it appeared that the ordinance of the board of supervisors of the county of San Diego, adopted on September 12, 1911, was not to become effective until subsequent to October 10, 1911. As the Public Utilities Act provides that the utilities subject to the jurisdiction of this Commission shall file their rates not to exceed those in effect on October 10, 1911, and as the said ordinance would not become effective until after October 10, 1911, and as the rate charged to the Encanto Mutual Water Company by the Southern California Mountain Water Company prior to October 10, 1911, was only 10 cents per thousand gallons, it follows that the legal rate to be collected by Southern California Mountain Water Company and by its successor, the city of San Diego, from the Encanto Mutual Water Company, until some change is made therein by this Commission, is the sum of 10 cents per thousand gallons. This matter was drawn to the attention of the Southern California Mountain Water Company and also of the city of San Diego by Mr. Atwood, with the result that the Southern California Mountain Water Company has refunded to him down to the basis of 10 cents per thousand gallons for all the water supplied by the Southern California Mountain Water Company to February 1, 1913, on which day the city of San Diego took possession of the system. Subsequent thereto, on May 2, 1913, the city of San Diego settled with Mr. Atwood on the basis of 10 cents per thousand gallons for all the water which had been supplied to him by the city of San Diego, except for the period between February 1st and February 15, 1913, for which period Atwood had paid at the rate of 20 cents per thousand gallons.

At the hearing on Application No. 461, at which time it was believed that the legal rate to be charged by the city of San Diego was 20 cents per thousand gallons, the consumers of the Atwood system were told that as soon as the Commission had established the rate to be charged by the city of San Diego to its customers outside of the limits of the city, the Commission would again investigate the Encanto situation and determine, after full investigation, a just and reasonable rate to be paid by the Encanto consumers. Although hearings have already been held in the matter of the rate to be charged by the city of San Diego, the final hearing has not as yet been held. In the mean time the Commission, acting under its promise to the people of Encanto, has instituted this investigation on its own initiative, so as to reach as early a determination as possible on the questions at issue between Mr. Atwood and his customers. The order in this proceeding will be based on the rate of 10 cents per thousand gallons to be paid by Atwood to the city of San Diego, this being the rate at present in effect. If, as the result of the hearing on the application of the city of San Diego to establish the rates to be charged by it for water supplied to its outside con-

sumers, the rate of 10 cents per thousand gallons be altered, a corresponding change will be made in the rate to be paid by Mr. Atwood's customers. Before proceeding to a detailed investigation into the facts surrounding the Encanto situation, I desire to draw particular attention to the fact that the Commission in its decision on Application No. 461, did not find that 5 cents is a reasonable charge to be paid for the operating expenses on Atwood's system. Every one having even a superficial knowledge of water conditions in San Diego County knows that 5 cents per thousand gallons is not sufficient for this purpose on a system such as that operated by Mr. Atwood. The Commission, tentatively, adopted the sum of 5 cents per thousand gallons, because that was all Mr. Atwood asked for and because the adoption of a higher rate would have resulted in a rate unreasonably high from the point of view of the consumer. In the present proceeding a careful inquiry has been made into all the facts, and it now becomes necessary to determine accurately what allowance shall be made for investment, operating expenses and depreciation, in addition to the 10 cents per thousand gallons paid by Atwood to the city of San Diego.

The hearing in this proceeding was held in the city of San Diego on March 4th and 5th, 1914, and an extensive investigation was made into all the facts which bear on the proper solution of the question now at issue.

The solution of the Encanto situation involves the establishment of principles applicable to many of the water utilities of this State. At the same time, this particular case has features of its own, which makes it one of unusual interest to a rate-fixing authority.

During or just prior to the year 1907, all or the major portion of the unsold property in the general territory known as Encanto was purchased by the Richland Realty Company, which proceeded to subdivide the land so purchased into smaller lots, and to place the same upon the market. At that time there was no water on these lands. In order to secure a water supply for the land, and in that way to dispose of it at more advantageous prices, the incorporators of the Richland Realty Company early in 1907 entered into a contract in the name of the Richland Realty Company with the Southern California Mountain Water Company, under which contract the Southern California Mountain Water Company agreed to supply water up to a maximum of one million gallons per month, at prices ranging from 10 cents to 8½ cents per thousand gallons, this water to be used by the Richland Realty Company in the development of its property. Thereafter, on January 27, 1908, the incorporators of the Richland Realty Company filed in the office of the county clerk of San Diego County, articles of incorporation of the Encanto Heights Mutual Water Company, which company was formed for the purpose of taking care of

the water business of the Richland Realty Company. The articles of incorporation provide that the corporation is to be a mutual corporation, supplying water for domestic and irrigation purposes and for any and all beneficial uses "to its stockholders and to its stockholders only, at cost and not for profit." The articles provide that the expense of constructing pipe lines, conduits, flumes, ditches, canals, aqueducts and distributing systems, as well as the expense of ordinary repairs and of the operation and management of the system and of its running expenses shall be paid from charges collected from the actual users of water pro rata, according to the amount actually used "in accordance with the by-laws and rules and regulations." Apparently, no by-laws, rules or regulations were ever adopted. A few certificates of stock in this corporation were issued to purchasers of land from the Richland Realty Company, but the project was not successful, for the reason that the purchasers of land from the Richland Realty Company did not desire to have imposed upon them the burden of maintaining the water system. The corporation has failed to pay its taxes to the State of California and has now become defunct.

Thereafter, to induce intending customers to buy land at Encanto, the owners of the Richland Realty Company issued agreements in the following form:

"For a valuable consideration received from the Richland Realty Company, a corporation, receipt whereof is hereby acknowledged, the Encanto Heights Mutual Water Company, a corporation, hereby agrees to supply water for domestic purposes and irrigation to-----, or his assigns, for use upon (describing property) of Encanto Heights, county of San Diego, State of California, and will deliver a sufficient supply thereof so long as it can obtain such water from its present source of supply and supply pipes of the system of said corporation, in the street in front of said lot, at the usual rate fixed by said corporation for the delivery of water in said vicinity, which said rate shall in no event be in excess of the sum of ten cents per thousand gallons.

*In witness whereof*, the Encanto Heights Mutual Water Company, a corporation, has caused these presents to be executed in its corporate name, under its corporate seal, and by its proper officers this-----day of-----19-----.

ENCANTO HEIGHTS MUTUAL WATER COMPANY.  
By-----."

There is some dispute as to the number of these agreements which were issued. The agreement introduced in evidence bore the number "44." Mr. George J. Bach, the principal stockholder of the Richland Realty Company, testified that some fifty might have been issued, but that some of them might have been turned back to the company. The evidence also shows that a number of customers bought land in Encanto

Heights without a written agreement, but under the distinct representation that they were to secure water at 10 cents per thousand gallons.

In order to promote the sale of its lands, the Richland Realty Company supplied the funds with which the water system at Encanto was constructed. Mr. Bach testified that the relations between the Richland Realty Company and the Encanto Heights Mutual Water Company were so closely connected that it was impossible to say whether the water system was owned by the Richland Realty Company or by the Encanto Heights Mutual Water Company. For reasons which will hereinafter appear, it becomes unnecessary in this proceeding to determine this question. The evidence, however, shows clearly that the water system was constructed from funds furnished by the Richland Realty Company, for the purpose of promoting the sale of its land, and that the system was to be operated without profit to the owner thereof. The purchasers of property at Encanto Heights understood that the increased price which they were paying for the land was paying for the water system, and, in my opinion, this understanding is both legally and morally correct. The incorporators of the Richland Realty Company themselves expected to make no profit out of their water system, and the evidence shows clearly that they did not expect to receive water rates more than enough to pay them for the actual operating expenses of the system.

For a number of years the system was operated in the name of the Encanto Heights Mutual Water Company. Bills were sent out in the name of that company and payments for water were made to that company. George J. Bach and his associates tried in numerous ways to dispose of the water system. The testimony shows that at the time hereinafter referred to, when Mr. Atwood took possession of the plant, he estimated that it was worth between \$25,000.00 and \$30,000.00. He testified further that Mr. Batch had told him that the system had cost \$50,000.00. Mr. F. M. Faude, one of the Commission's hydraulic engineers, testified that the cost of reproducing the system new was \$37,750.00, and that its present value is \$30,924.00. Nevertheless, the testimony shows that Mr. Bach and his associates made strenuous efforts to dispose of the system. They offered to turn it over to the people of Encanto without any payment whatever for the system, if the people would operate and maintain it, but this offer was not accepted. At other times, Mr. Bach offered to sell the system for \$1.00 to any one who would take it. The reason for this attitude is entirely obvious. Water was being sold at the rate of 10 cents per thousand gallons, which was the sum which was being paid for the water to the Southern California Mountain Water Company. The local water system was stand-

ing all the loss from leakage and evaporation and the entire operating expenses in excess of the sum of 10 cents per thousand gallons. The Richland Realty Company, realizing this situation, was apparently attempting to get rid of the system so as to escape the obligations which the company had incurred to the purchasers of its land. Mr. Bach testified that the object in selling and disposing of the plant was that there was nothing in it, that he was heavily engaged in other interests, and that he could not give his time to it. These facts must all be carefully borne in mind in establishing the proper rate. The public authority charged with the duty of establishing a fair and reasonable rate should certainly not permit this system to pass from the hands of its owners free from the obligations which are clearly attached to the system. Whatever may have been done by land companies in this State prior to the effective date of the Public Utilities Act, this Commission should certainly see to it, in so far as lies in its power, that people who organize water companies for the purpose of selling land, and thereafter sell their land on the representations of low water rates, should not be able, after they have sold their land and pocketed the proceeds, to get out from under the water system in such a way that the grantee of that system is able to take the system discharged of its express and implied obligations, and thereafter collect from the people who have already virtually paid for the system water rates increased by a return on the very capital which the purchasers of land have already paid. In my opinion, there are few situations in this State which more imperatively call for effective State supervision for the protection of the public than the practices which have been indulged in by land companies in the organization of water companies and the sale of their lands on conditions with reference to the sale of water which the land companies thereafter tried to repudiate.

I come now to Mr. Atwood's connection with the system. It appears that after the owners of the Richland Realty Company had tried to dispose of the system, as hereinbefore indicated, they finally offered it to H. R. Atwood. The transactions between these parties appear from a number of interesting documents which were introduced in evidence at the hearing.

On October 23, 1912, the Richland Realty Company and H. R. Atwood entered into an agreement by which the former agreed to sell to the latter the real property in Encanto Heights upon which the water company's reservoir and water tanks are located. The sum to be paid was \$600.00, of which \$17.00 was payable on April 23, 1913, and \$17.00 per month was payable during each month thereafter until the purchase price was paid in full. The buyer agreed to pay all taxes and assessments.

On October 31, 1912, a similar agreement was entered into between the same parties with reference to Lot No. 18 in Block 4, being the lot on which Atwood's office and shop are now located. The price to be paid for this lot was \$575.00, of which \$25.00 was to be paid down and the remaining price was to be paid in monthly installments of \$10.00 per month, with interest at the rate of 7 per cent per annum, payable quarterly.

On October 25, 1912, a letter signed by Encanto Heights Mutual Water Company was addressed to Mr. Atwood, stating that in accordance with the arrangement entered into with him, the water company will

"for an indefinite period and until such time as the sale of the water company to you is completed, appoint you as general manager of the Encanto Heights Mutual Water Company, or if a sale is consummated to a company or corporation which you represent, this appointment is made until that sale is provided. In the meantime you have authority to collect all water accounts on and after November 25, 1912, and it will be part of this arrangement for you to take care of any accounts or bills that may occur under your management from October 25, 1912. This will especially have reference to the settlement with the Southern California Mountain Water Company for water purchased through their water system, and also all accounts for fuel for the pumping of water at Encanto."

A postscript to this letter reads as follows:

"Any profits that may occur in the conduct of this business belong to Harry R. Atwood, and any losses to be borne by Harry R. Atwood."

It appears further that on November 21, 1912, the Richland Realty Company executed a document disclaiming any right or title to the pipes, pipe lines and water distributing system

"laid in the roads and streets of the tract of land known as Encanto, which said pipes, pipe lines and distributing system were put in and laid by the Encanto Heights Mutual Water Company, and the said Richland Realty Company waives and abandons all its right, if it ever had any such right, to the possession and use of said pipes, pipe lines and distributing system in favor of Harry R. Atwood."

These documents reveal a curious situation. It is evident that the owners of the Richland Realty Company were trying to get rid of the property, but that they were not sure whether the Richland Realty Company owned it or whether the Encanto Heights Mutual Water Company owned it. The Richland Realty Company accordingly agreed to sell the real estate and quit-claimed the pipe lines and water distributing system laid in the streets. In order, however, to meet the contingency that the title might be vested in the Encanto Heights



Mutual Water Company, this company, assuming that it was still in existence, undertook to appoint Mr. Atwood as its general manager, so that, in any event, he would be in a position to operate the system and to relieve its owners of this obligation. No deed has ever been executed by the Richland Realty Company conveying the real estate to Atwood. Atwood has paid nothing on the first agreement for the sale of real estate hereinbefore referred to, and on the second he has paid only \$135.00. In addition to this sum, he paid \$150.00 for tools, so that his entire payment on the system as he found it when he took possession on October 25, 1912, was \$285.00. While Mr. Bach testified that, in his opinion, the title to the system is in Mr. Atwood, and while Mr. Atwood claimed title, it is clear that the title to no part of this system has passed to Mr. Atwood and that it still vests in its original owner, whether the Richland Realty Company or the Encanto Heights Mutual Water Company (or its trustees) or both. This conclusion results from the fact that under the provisions of section 51 (a) of the Public Utilities Act, effective on March 23, 1912, no water utility may sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its system, necessary or useful in the performance of its duties to the public, without having first secured from this Commission an order authorizing it so to do. As no application has been made to this Commission for authority to transfer the title of the water system at Encanto, and as no order has been made authorizing such transfer, no title has passed. I shall accordingly proceed to an analysis of the elements entering into the rate, on the basis of the title to this property still vesting in the original owners thereof.

I shall now address myself directly to the question of the rate and of the service. In considering the rate, I shall consider the following matters:

1. Investment;
2. Depreciation;
3. Operating expense and maintenance;
4. The rate.

**1. Investment.**

The owners of this water system prior to October 25, 1912, can not, in good conscience or in law, claim any return on their investment. They distinctly undertook to supply water without profit, and the capital invested in the water system has been repaid by the purchasers of land in Encanto Heights. Atwood can claim no return on the same investment for the reason that he does not own the property and has paid nothing for it except \$285.00. In order to be fair to Mr. Atwood, he should be allowed a return on the money which he has actually

invested since he undertook the operation of this system. This money is as follows:

Paid on contract for purchase of lot for office and shop-----	\$135 00
Tools -----	150 00
Erection of office and shop buildings-----	200 00
Construction and installation of two new pumps-----	758 21
Construction of 6-inch main in connection with new pump-----	450 15
Total -----	\$1,693 36

As some additional new construction will have to be performed, I recommend that a return be allowed on the sum of \$2,000.00, and that a rate of return of 8 per cent be established.

### 2. Depreciation.

As depreciation follows capital account, and as the capital of this system is almost exclusively owned by people who have no right to claim a return on capital account, I shall recommend a return for depreciation only on the depreciable portion of the investment which has been made by Atwood himself. The sum of \$50.00 will be allowed for this purpose.

### 3. Operating Expenses and Maintenance.

The principal item of operating expense is the amount paid to the city of San Diego for water. During the year 1913, the meters on the city of San Diego's mains showed a delivery to Atwood of 27,369,341 gallons of water. During the same period Atwood's own meters showed the sale to his customers of only 21,388,422 gallons. The difference represents loss of water by evaporation and leakage from the point at which it is received by Atwood to the point of delivery to his customers. The loss thus shown was far larger than can reasonably be expected, and is to be accounted for in part by a large loss through leaky tanks into which the water was run last summer for the purpose of causing the staves to swell and make the tanks watertight. While it is to be presumed that through proper operation of the plant, the amount of this loss can be diminished, I nevertheless recommend, in order to be entirely fair to Mr. Atwood, that he should be allowed, as operating expenses under this head, the amount which he paid last year to the city of San Diego, amounting to \$2,736.94.

The principal dispute at the hearing under the head of operating expenses was in connection with Mr. Atwood's salary as manager, bookkeeper and meter reader. He has been charging a salary of \$150.00 per month. Mr. Faude testified that, in his opinion, \$75.00 per month would be reasonable, bearing in mind the ability of the consumers to pay for the services of a person performing Mr. Atwood's duties. Mr. Atwood testified that all his time had been devoted to the water busi-

ness, and that he had worked long hours over the usual hours of labor. While it is true that he has had to contend with serious difficulties during the last year, I believe that these difficulties are now largely a matter of the past, and that during the ensuing year he will not have to devote, by any means, all of his time to the business of the water system. I recommend that an allowance of \$100.00 per month be made for his salary.

The sum of \$60.00 per month is paid as salary to an employee who operates the pumps, makes repairs and performs other manual labor on the system. This item should be allowed.

An allowance should also be made of \$480.00 for power, \$360.00 for materials for repairs to pumps, motors, pipes and meters, \$120.00 for office supplies, telephone, stamps, etc., and \$180 for horse hire. The evidence shows that legal expenses amounting to \$550.00 have been incurred during the last year. These are extraordinary expenses, which it is not expected will recur each year. I recommend that this expense be spread over a number of years and that the sum of \$150.00 be included at this time.

No insurance has been effected, but an item of \$15.00 should be allowed for this purpose. Mr. Atwood has paid no taxes. If any taxes have been assessed they have been assessed to the Richland Realty Company, which company will continue to pay them if they are assessed. I recommend that \$20.00 be allowed to cover taxes on Atwood's own property.

Finally, I recommend that the sum of \$100.00 be allowed for miscellaneous items, such as extra help, loss from bad accounts and other matters which may not have been covered in the preceding items.

The following table shows the items which should be allowed in establishing the rate:

Table No. 1.	
Interest on investment .....	\$160 00
Depreciation .....	50 00
Water .....	2,736 94
Salary of manager, bookkeeper and meter reader .....	1,200 00
Wages for operating pumps and repairs .....	720 00
Power .....	480 00
Repairs to pumps, motors, pipes and meters .....	360 00
Office supplies, telephone, postage, etc. ....	120 00
Horse hire .....	180 00
Legal expenses .....	150 00
Insurance .....	15 00
Taxes .....	20 00
Miscellaneous .....	100 00
	<hr/>
	\$6,291 94

**4. The Rate.**

The water used, by months, in gallons from Atwood's water system for the year 1913, was as follows:

**Table No. 2.**

Month	Encanto Heights	Beverly	All other outsiders	Total
January -----	918,838	16,110	9,684	944,632
February -----	875,130	9,290	8,020	892,440
March -----	972,421	11,220	5,046	988,687
April -----	2,406,168	33,390	22,819	2,462,377
May -----	2,675,382	41,720	24,500	2,741,602
June -----	2,275,445	33,990	21,303	2,330,738
July -----	2,115,275	36,450	16,112	2,467,837
August -----	2,390,524	54,510	18,011	2,463,045
September -----	2,444,804	92,380	21,013	2,558,197
October -----	1,885,358	32,960	21,137	1,939,455
November -----	896,839	14,210	5,631	916,680
December -----	670,245	7,290	4,897	682,432
<b>Totals -----</b>	<b>20,826,429</b>	<b>383,820</b>	<b>178,173</b>	<b>21,388,422</b>

The revenue derived by Atwood from his customers from the above consumption at the rate of 25 cents per thousand gallons, with a minimum of \$1.30 per month, was the sum of \$6,313.00.

Before establishing the rate, it becomes necessary to consider the claims of Guy D. Loomis, whose mother owns the property at Beverly, located about one half mile west of the west line of Encanto Heights. Loomis asked and was granted the right to intervene and to present considerations which he claimed were peculiar to his case, and demanded a different rate for the water supplied to Beverly. This water is supplied at a point within the limits of Encanto Heights, and is then conveyed to Beverly for distribution to some seventeen families through a pipe line constructed, operated and maintained by the owners of the Beverly tract. This tract consists of about 560 acres, which were subdivided during the latter part of 1908 or in the early part of 1909. Water for the tract was first secured under an arrangement made on October 5, 1909, between Mr. F. S. Loomis and the San Diego Land Improvement Company, a subsidiary of the Richland Realty Company. Under this arrangement the latter company agreed to sell to Loomis from its water system at Encanto, water to the amount of one million gallons in any month, to be consumed during the year beginning November 1, 1909, and ending August 5, 1910. The agreement also reads in part as follows:

“We will also agree to extend this arrangement as much farther beyond the above date as we are able to secure it from the Southern California Mountain Water Company, and upon such terms and conditions as we are able to secure from them, provided always

that the arrangement now being entered into is satisfactory and agreeable to you and ourselves and also to the Southern California Mountain Water Company. The price of the water to be furnished to you is to be in accordance with what we pay the Southern California Mountain Water Company, as shown by our contract with them, which you are at liberty to inspect."

The San Diego Land Improvement Company agreed to extend the Encanto water system to the west line of Encanto Heights so that Loomis could make connections, and Loomis agreed to pay \$500.00 "for this agreement." In accordance with this agreement, Loomis constructed his pipe line and received water from the Encanto system. The arrangement thereafter became unsatisfactory to the Richland Realty Company, which thereupon increased the rate for water to 15 cents, and thereafter to 25 cents per thousand gallons, which increase was paid, but unwillingly. I am inclined to the view that the contract entered into on October 5, 1909, became unsatisfactory to the San Diego Land Improvement Company, and that this company had the right to alter its terms, and did so, and that Mr. Loomis has no right now to demand that he receive water at the price of 10 cents per thousand gallons. Even if such contract were still existing, I find that it would be an unreasonable contract from the point of view of Atwood and all his other customers. The bargain which was entered into by Loomis was an advantageous one from his point of view, for the reason that it enabled him to sell his land. Instead of now complaining of the arrangement, he should consider himself fortunate in having a source of water supply to put on his lands, while many other people in this general vicinity have none for theirs. I find that there is no merit in the claim of Loomis that the sum of \$500.00 was an advance payment for water to be delivered under the arrangement hereinbefore referred to. The evidence shows that this amount in no sense constitutes an advance payment, but that it was paid because of the trouble and possibility of loss in connection with the transaction.

Mr. Loomis further asks that this Commission make an order compelling Atwood to receive his water distributing system as a gift, and thereafter to operate and maintain it. Mr. Atwood refuses to take the system, for the reason that he does not desire to be under the obligation of maintaining it and of making the necessary extension in Beverly. The system cost something over \$3,000.00. The system, which is now operated by Atwood, has never been held out as distributing water to customers in Beverly. The only obligation which the system has undertaken with reference to Beverly is to deliver water in Encanto Heights to Loomis, who thereupon assumed the full responsibility of conveying it to Beverly and of distributing it there, and of maintaining and

operating the local distribution system. While it is true that Mr. Loomis testified that he does not desire to be a water utility, and that he would like to escape the responsibility of such utility, this is not a sufficient reason for compelling some one else to take over his system and to perform the obligations which Mr. Loomis has undertaken toward those who have purchased land at Beverly. While Mr. Loomis has been selling water at Beverly at 10 cents per thousand gallons, he claims that he has never agreed to continue to deliver water at this rate, and that he is under no obligation to do so. Under these circumstances, there would seem to be much reason in favor of permitting Mr. Loomis to increase his rate to such amount as may be fair and reasonable, in view of the amount which he must pay to Atwood, and of his own services in connection with the distribution and delivery of the water. In my opinion, it would be very desirable to have Mr. Atwood take over this system and operate it as a part of the Encanto system. At the same time, I am of the opinion that this Commission has no power to compel Mr. Atwood to take over the system against his protest, and that it would not be reasonable, under the circumstances as they now appear, to compel him to do so.

The only contention of Mr. Loomis in which I find merit is that he should be given a lesser rate for water than the other consumers from the Encanto system, for the reason that his consumption is much greater than that of any other consumer, and that the operating expenses of the system chargeable to him are considerably less per thousand gallons of water consumed. I find that any consumer under this system who consumes 15,000 gallons of water per month is entitled to a rate of 5 cents less per thousand gallons than other consumers. During the year 1913 Loomis would have come within this classification during nine months of the year, and no other consumer during any month.

The following table shows the actual revenue received by Atwood during the year 1913; the revenue which he would have received at a rate of 25 cents per thousand gallons, with a monthly minimum of \$1.25; and the total revenue to which he is entitled:

Table No. 3.

Revenue received, 1913—25 cents per thousand gallons, with monthly minimum of \$1.30 -----	\$6,313 00
Revenue which would have been received in 1913, at 25 cents per thousand gallons with a monthly minimum of \$1.25-----	6,150 00
Revenue to which Atwood is entitled-----	6,291 94

The testimony shows that during the year 1913 Atwood had 260 taps and 320 meters, and that during the preceding year he had 240 taps and 280 meters. Atwood testified that, in his opinion, there would

be a continued healthy growth at Encanto. This growth, together with the probability of a material diminution in the amount of water lost between the point of receipt on the city of San Diego's mains and the point of delivery through Atwood's meters, should be taken into consideration in establishing the rate in this case.

After a careful consideration of all the facts in this case bearing on the question of the rate, I find that the present rate is unreasonable in so far as it differs from the rate hereinafter established and that a just and reasonable rate to be charged for water by H. R. Atwood to his consumers is the sum of 25 cents per thousand gallons, with a monthly minimum of \$1.25, provided, that for a consumption through any one meter in excess of 15,000 gallons per month, the rate shall be 20 cents per thousand gallons for the entire amount.

With reference to the service, it appears that during the year 1913, many complaints were made to this Commission regarding inadequate water service furnished to Atwood's consumers. Acting under the orders of this Commission, Atwood, in the fall of 1913, made extensive changes in the pumping arrangements, so that it is to be expected that no further trouble of this kind will be experienced. No complaint was made at the hearing in this proceeding that the service is not satisfactory. Considerable friction, however, has been occasioned between Atwood and his consumers due to the fact that no printed rules and regulations have been in force. Atwood complains of the fact that certain consumers do not pay their bills promptly, but has adopted no rule or regulation regarding advance payments for future delivery in case of customers who do not pay their bills. This Commission's hydraulic department has prepared a tentative set of rules and regulations, which will be sent to each party in this proceeding. Within twenty days suggestions concerning these rules may be sent by letter to the Commission. The Commission will thereupon issue a supplemental order establishing such rules and regulations for this system as in its opinion will seem just and reasonable.

While the rate established in this proceeding differs but little from the rate now in effect, it is the result of a careful and thorough investigation into all the elements entering into the rate. The people of Encanto have now had the benefit of a painstaking investigation into their entire relations with the existing water system, and it is to be hoped that both parties will now be satisfied, and that there will be no further difficulties arising in connection with this system. As hereinbefore stated, if a change is made in the rate charged by the city of San Diego to its consumers outside of the city limits, it will be necessary to make a corresponding change in the rate herein established.

I submit herewith the following form of order :

**ORDER.**

The Railroad Commission having instituted on its own motion an investigation into the rates charged and service rendered by H. R. Atwood, also doing business under the name of Encanto Mutual Water Company, for water supplied to his consumers at Encanto, California, and a public hearing having been held on such investigation, and the matter having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the existing rates for water are unreasonable, in so far as they differ from the rates hereinafter established, and that a just and reasonable rate for water to be charged by H. R. Atwood is the sum of twenty-five cents (25¢) per thousand gallons, with a monthly minimum of one dollar and twenty-five cents (\$1.25), provided, that if the consumption through any one meter for any one month is in excess of fifteen thousand (15,000) gallons, the rate for the entire amount of water delivered through said meter for said month shall be twenty cents (20¢) per thousand gallons.

Basing its order upon the foregoing finding and on the other findings of fact contained in the opinion which precedes this order,

*It is hereby ordered* that within twenty (20) days from the receipt of a copy of this opinion and order, H. R. Atwood, also doing business under the name of Encanto Mutual Water Company, shall file with this Commission a rate for water delivered by him to his consumers of twenty-five cents (25¢) per thousand gallons, with a monthly minimum of one dollar and twenty-five cents (\$1.25), provided, that if any consumer consumes through any one meter during any one month an amount of water in excess of fifteen thousand (15,000) gallons, the rate in such event shall be for the entire amount of water going through said meter during said month the sum of twenty cents (20¢) per thousand gallons, said rates to become effective on and after May 1, 1914.

*And it is further ordered* that the petition of Guy D. Loomis be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of March, 1914.



## DECISION No. 1387.

IN THE MATTER OF THE APPLICATION OF SUNSET TELEPHONE AND TELEGRAPH COMPANY FOR PERMISSION TO ASSIGN AND TRANSFER TO THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY ALL ITS RIGHT, TITLE AND INTEREST IN AND TO THE TELEPHONE EXCHANGE PROPERTY BELONGING TO IT LOCATED AT TULARE, TULARE COUNTY, CALIFORNIA, AND THE TELEPHONE FRANCHISES FORMERLY HELD BY IT COVERING THE OPERATIONS OF SAID EXCHANGE, AND OF THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY TO PURCHASE SAID PROPERTY AND FRANCHISES.

---

Application No. 1052.

*Decided March 30, 1914.*

---

Application of the Sunset Telephone and Telegraph Company for permission to sell a certain telephone exchange in the city of Tulare to the Tulare Home Telephone and Telegraph Company, and of the latter company to purchase and operate same, granted.

*George F. Gill*, for the Tulare Home Telephone and Telegraph Company.

*James T. Shaw*, for Sunset Telephone and Telegraph Company.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

By an agreement entered into between the parties hereto, before the present powers of control over telephone companies operating as public utilities were conferred upon the Railroad Commission, the Tulare Home Telephone and Telegraph Company during the year 1908 purchased from Sunset Telephone and Telegraph Company a telephone system in and adjacent to Tulare, Tulare County, California. The terms of the purchase and sale between these companies provided for part payment in cash and for payment of the balance in installments for which the purchaser gave its promissory notes and that, until payment of these notes, title to the property should continue in the name of Sunset Telephone and Telegraph Company. Final payment of these notes was made prior to March 23, 1912, the effective date of the Public Utilities Act, but title to the property has not yet been delivered to the purchasers.

Under the provisions of this act, formal transfer of title can not now be made without the approval of the Railroad Commission, and a

joint application is now made by these two companies involving permission of the Commission to transfer title and to assign certain franchises to conform with the provisions of the Public Utilities Act and in accordance with the terms of the agreement above referred to.

The actual consideration for the sale of this telephone system is not named in this application, and, in view of the fact that aside from the formal transfer of title, the Tulare Home Telephone and Telegraph Company has had actual possession and has exercised the full rights of ownership from a date prior to the Commission's jurisdiction, it is my opinion that the Commission is not at this time particularly concerned with the price actually paid by the purchaser, since it is not asked to pass upon the amount which the system was worth at that time or the amount which it is now worth. Accordingly, and with the understanding that the Commission is not thereby passing upon the valuation of this property, I shall recommend that the application be granted.

#### ORDER.

Application having been made to this Commission by Sunset Telephone and Telegraph Company, a corporation, and by the Tulare Home Telephone and Telegraph Company, a corporation, operating as public utilities, for permission for the former to assign and transfer and the latter to purchase all the right, title and interest in and to the telephone exchange property belonging to Sunset Telephone and Telegraph Company located at Tulare, Tulare County, California, and the telephone franchises formerly held by it covering the operation of said exchange; and a public hearing having been held thereon; and it appearing to the Commission that the contract of sale of interest in this telephone system and franchises was entered into by the parties hereto prior to March 23, 1912, the effective date of the Public Utilities Act; and no reasonable objection appearing,

*It is hereby ordered* that the application of Sunset Telephone and Telegraph Company and of the Tulare Home Telephone and Telegraph Company for permission the one to sell and assign and the other to purchase all of the right, title, and interest in the telephone system owned by Sunset Telephone and Telegraph Company located in Tulare, Tulare County, California, and adjacent territory, be and the same hereby is granted; provided that this permission is not to be taken by this Commission or other duly constituted authority as fixing the value of this telephone system and property for rate making or other purposes.

This order to be and become effective from the date of its approval.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of March, 1914.

## DECISION No. 1388.

IN THE MATTER OF THE APPLICATION OF NEVADA  
COUNTY NARROW GAUGE RAILROAD COMPANY FOR  
THE ISSUANCE OF BONDS.

Application No. 486.

*Decided March 30, 1914.*

## REPORT OF THE COMMISSION.

**SUPPLEMENTAL ORDER.**

Application having been made for a modification of the order heretofore made and entered herein, and it appearing to the Commission that this application should be granted; now, therefore,

*It is hereby ordered* by the Railroad Commission of the State of California that the order heretofore made and entered herein be and the same is hereby modified as follows:

Nevada County Narrow Gauge Railroad Company is hereby authorized to reimburse its treasury for moneys expended out of income for those purposes set out in the opinion and order heretofore rendered herein as the purposes for which the proceeds from the sale of the bonds therein authorized should be used. This authorization includes the right of applicant to reimburse its treasury for expenditures made out of income for 48-pound rails, instead of 60-pound rails, as specified in the opinion and order heretofore made herein.

Except in the particulars above specified, the order heretofore made herein shall remain in full force and effect.

Dated at San Francisco, California, this 30th day of March, 1914.

## DECISION No. 1389.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO  
CONSOLIDATED GAS AND ELECTRIC COMPANY FOR  
AN ORDER AUTHORIZING THE ISSUE OF BONDS OF  
THE FACE VALUE OF SIX HUNDRED AND THIRTY-  
NINE THOUSAND DOLLARS.

Application No. 590.

*Decided March 30, 1914.*

Applicant authorized to issue \$23,000.00 face value of bonds, covering capital expenditures incurred during the month of February, 1914. Applicant also authorized to issue the remaining portion of its bonds of the face value of \$459,000.00, heretofore authorized, to be sold at not less than 85, and the proceeds thereof to be used for extensions and betterments to plant.

## REPORT OF THE COMMISSION.

## NINTH SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

This is a supplemental application for authority to issue bonds of the face value of \$23,000.00.

On June 30, 1913, this Commission rendered its opinion and order in the above entitled proceeding, authorizing the applicant to issue certain bonds, including bonds of the face value of \$459,000.00, for expenditures to be incurred during the year 1913. A much smaller expenditure than was anticipated was incurred during 1913, and a considerable portion of the bonds authorized have not been issued. The present supplemental application is for the purpose of securing this Commission's authorization for the issue of \$23,000.00, face value, of said bonds for capital expenditures incurred during the month of February, 1914.

A summary of the total estimated expenditures subsequent to January 31, 1914, and of the actual expenditures in February, 1914, and of the balance to be expended is attached to the application and reads as follows:

## SUMMARY.

	Balance to be expended as of January 31, 1914	Expenditures in February, 1914	Balance to be expended
1. Steam power plant equipment.....	\$43,555 24	\$737 63	\$42,817 61
2. Electric distribution system.....	10,010 82	17,778 75	*7,767 93
3. Gas plant buildings and general structures .....	*423 84	*50 44	*373 40
4. Gas generators .....	14,747 15	5 12	14,742 03
5. Purification appliances .....	5,544 01	969 68	4,574 33
6. Water gas sets and accessories.....	2,241 91	1,339 26	902 65
7. Accessory equipment at works.....	*23,231 38	642 06	23,873 44
8. Gas distribution .....	126,120 15	6,995 54	119,124 61
9. Gas services .....	24,492 45	2,443 70	22,048 75
10. Gas meters .....	444 21	766 68	*322 47
11. Miscellaneous distribution equip- ment .....	5,107 25	518 65	4,588 60
12. General structures .....	376 63	93 74	282 89
13. General shop equipment.....	2,433 33	502 79	1,930 54
14. Contingencies .....			
15. Land devoted to gas and electric operations .....	*1,540 27		*1,540 27
Totals .....	\$209,877 66	\$32,743 16	\$177,134 50

\*Overrun over estimated cost.

Under the provisions of applicant's trust deed or mortgage, it is entitled to receive from the trustees bonds of the face value of 75 per cent of proper capital expenditures. It is evident that the amount of bonds for which this Commission's authority is now requested, being bonds of the face value of \$23,000.00, is less than 75 per cent of the capital expenditures during the month of February, 1914.

I find that the purposes for which the expenditures were incurred during the month of February, 1914, come within the general purposes specified in this Commission's opinion and order dated June 30, 1913, with the exception of certain items as to which the amounts expended have run over the estimates. In these cases, however, the amounts expended are for proper capital purpose and the expenditures should be allowed.

Applicant alleges that it expects to be able to sell said bonds for not less than 85 per cent of their face value.

At the time the original application in the above entitled proceeding was heard, the applicant voluntarily offered to file a schedule of expenditures for each month before the Commission should make supplemental orders from time to time authorizing the issue of bonds as against the expenditures to be shown upon such schedules. I am of the opinion that it is no longer necessary to issue a supplemental order each month, but that authority should be granted to the applicant to issue the remaining bonds of said total of \$459,000.00, up to not exceeding 75 per cent of the moneys properly expended by applicant for capital expenditures, for the general purposes specified in this Commission's order of June 30, 1913, on the condition that the bonds shall net applicant not less than 85 per cent of their face value. By granting this general authority, it will not be necessary to continue each month to issue a supplemental order authorizing the issue of bonds as against the expenditures of the preceding month.

I recommend that this supplemental application be granted, and that the further authority hereinbefore referred to be also granted, and submit herewith the following form of order:

#### NINTH SUPPLEMENTAL ORDER.

*It is hereby ordered* that the Railroad Commission of the State of California hereby authorizes the issue by San Diego Consolidated Gas and Electric Company of twenty-three thousand dollars (\$23,000.00), face value, of bonds of said company, bearing numbers 4094 to 4116, inclusive, and also of the remaining unissued bonds of the total of four hundred and fifty-nine thousand dollars (\$459,000.00), face value, of the issue applied for in the original application in this proceeding, all of said bonds maturing the first day of March, 1939, redeemable on March 1, 1914, or on any interest date thereafter, at par, accrued interest and a premium of five (5) per cent on the principal thereof, and to bear interest at five (5) per cent per annum, payable semiannually, under and in pursuance of the terms of the deed of trust or mortgage heretofore and on the first day of March, 1909, made and executed by said San Diego Consolidated Gas and Electric Company to Harris Trust and Savings Bank and Los Angeles Trust Company, now known

as the Los Angeles Trust and Savings Bank, as trustees, upon the conditions following and not otherwise, to wit:

1. San Diego Consolidated Gas and Electric Company shall sell said bonds hereby authorized to be issued so as to net said company not less than eighty-five (85) per cent of the face value of the principal thereof, besides interest accrued thereon.

2. San Diego Consolidated Gas and Electric Company shall apply the proceeds from the sale of said bonds as follows:

(a) The proceeds from the sale of said bonds of the face value of twenty-three thousand dollars (\$23,000) shall be applied only for the purpose of discharging and refunding indebtedness incurred for capital expenditures made during the month of February, 1914, as those expenditures are set out in the opinion which precedes this order.

(b) The proceeds from the sale of the remaining bonds hereby authorized shall be used only for the purpose of discharging and refunding not to exceed seventy-five (75) per cent of such indebtedness as may hereafter be incurred by San Diego Consolidated Gas and Electric Company for capital expenditures incurred for the general construction items which are specifically set forth in this Commission's order dated June 30, 1913, in the above entitled proceeding.

3. San Diego Consolidated Gas and Electric Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission, stating the sale or sales of said bonds, during the previous month, the terms and conditions of sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

4. San Diego Consolidated Gas and Electric Company shall file with this Commission certified copies of the statements or certificates to be filed by it with the trustees under its said trust deed or mortgage, on which statements or certificates it expects to receive from the trustees the bonds hereby authorized to be issued.

5. The authority hereby given to issue said bonds of the face value of twenty-three thousand dollars (\$23,000) shall apply only to bonds issued by said company on or before the 31st day of May, 1914, and the authority to issue the remaining bonds hereby authorized shall apply only on bonds issued by said company on or before the first day of November, 1914.

The foregoing ninth supplemental opinion and order are hereby approved and ordered filed as the ninth supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of March, 1914.

## DECISION No. 1390.

D. E. BROWN ET AL.

vs.

CONSOLIDATED CANAL COMPANY.

Case No. 390.

*Decided March 30, 1914.*

Supplemental order approving rules and regulations filed for the approval of the Commission by respondent, in accordance with the original order in the above entitled proceeding.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

Heretofore, on June 27, 1913, this Commission rendered its opinion and order in the above entitled case (Vol. II, Opinions and Orders Railroad Commission of California, page 1082).

In its order therein, the Commission provided, in part, as follows:

“This case shall be held open for such further order as the Commission may after further investigation hereafter make in establishing rules and regulations for the future distribution of said Consolidated Canal Company's waters or in other respects.”

Subsequent to said decision, numerous conferences have been held between this Commission's hydraulic department and the plaintiffs and the defendant in this case for the purpose of agreeing, if possible, upon a set of rules and regulations to be established by this Commission and used by the defendant. After numerous revisions in the set of rules and regulations proposed by the defendant, this Commission's hydraulic department now reports that the rules and regulations set forth in the supplemental order herein are reasonable rules and regulations to be adopted, at least for the present.

I recommend the adoption thereof and submit the following form of supplemental order:

## SUPPLEMENTAL ORDER.

It is hereby ordered that the following information, rules and regulations for Consolidated Canal Company, and its water users, be established by Consolidated Canal Company, effective April 1, 1914:

## INFORMATION, RULES AND REGULATIONS CONSOLIDATED CANAL COMPANY AND ITS WATER USERS.

## Rule 1. Operation and Maintenance of System.

The Consolidated Canal Company will operate and maintain all diversion works, main canals, branch canals and laterals where it is the established duty of the company to do so.

On any portion of the distributing system which the company is not now obligated to maintain and operate, any user may request the company to assume control. The company will then approach all users, suggesting a sum for which the company will place the ditch in proper condition, and further, the rate per acre per annum for which in the future the maintenance and adoption will be assumed. Should this be agreed to unanimously, the company will forthwith assume control. It may be arranged that either the users or the company shall put the ditch initially in good condition, the actual cost to be paid by the users.

Should the arrangement mentioned in the preceding paragraph fail of agreement by all parties, the user or users desirous of this change may apply to the Railroad Commission, which will decide whether it will be for the furtherance of public convenience to grant the application; and if it be granted will fix the payment and rates due the company for such increased service and the time and method of deposit of the payment for such service.

The company retains the right to supervise the delivery of water to all individuals who make direct payment to it, wherever in the flow of its water supply, and will require that all distributaries not under its direct control shall be maintained in proper condition for the distribution of water to individual consumers.

**Rule 2. Definition of "Pro Rata" Delivery.**

A "pro rata" delivery means a simultaneous flow available at a point nearest on the company's system for the use of each and every consumer, in an exact proportion of the total amount available, based on the individual's right to receive, as fixed by acreage, contract, payment or otherwise. This method may be applied to all or a part of the system.

**Rule 3. Definition of "Rotation."**

"Rotation" means that method of delivery whereby water is carried through a portion of the distribution system, for a portion of the time, in larger amount than otherwise available, the aim being to deliver to each consumer ultimately as exact a proportion as by "prorating."

**Rule 4. Protection and Delivery of Full Supply.**

The company will endeavor at all times to divert all water legally within its right into the canals of the system up to the aggregate amount of demands upon it, and will use every endeavor to protect the water supply available, and transmit same in proper proportional amount to the points on its system nearest by the established routes to its individual consumers. When sufficient water is available to supply all demands, it will be distributed at all division points and turn-outs to branch canals and laterals in a proportional part of the



total flow available, allowing for seepage loss, this proportion being based upon the acreage and recognized rights to demand service upon each part of the system. That is, the total amount that it is determined can be delivered from the supply available, will be ratably divided.

**Rule 5. Delivery of Intermediate Supply.**

When the supply available at the hands of the company is insufficient to fully supply demands, but is above 50 per cent of the amount demanded, water will be pro rated between distributaries of more than 200 cubic feet per second capacity, and may be rotated between smaller distributaries.

**Rule 6. Delivery of Supply Below 50 per cent.**

When the supply available is not sufficient to satisfy 50 per cent of the demand, the company may rotate in all portions of the distribution system. So far as is possible, a forecast will be made of the available water supply, and rotation between main canals shall be so planned as to provide a full head in each canal during the period of flow, which period will be varied in accordance with the amount of the total supply and as many as may be of the branch canals and laterals will be filled simultaneously, and it will be planned to provide a continued flow for sixteen or eighteen days.

**Rule 7. Notice of Water Delivery.**

The company will provide bulletin boards at convenient points, and will give notice thereon, and by other feasible means, of the time of beginning and ending of rotation periods upon each of the branch ditches and upon all parts of the system where delivery is made by the company direct to the individuals. The company will give information of the beginning and duration of each run of water sufficiently in advance for the guidance of consumers. Such publication of rotation periods shall be not less than three days before the beginning of the period, except in case of emergency, when the best endeavor will be made by the company through all means in its power to spread the necessary information.

**Rule 8.—Rotation of Service in Cycles.**

As nearly as is practicable, each individual or aggregation of individuals will be given a ratable service within a single season; provided this has not been done, the rotation shall continue in cycles; that is, those receiving a deficient supply in the preceding season shall be served in precedence of others during the following year.

**Rule 9. Rotation Delivery to Individuals.**

Between individual users along the main canals of the company and on minor distributaries where each individual may use the full flow of such distributary, delivery shall be by rotation, commencing generally

at the farther end of such laterals, water being delivered to consumers in turn, the length of time being in accordance with the acreage and right. On larger distributaries delivery shall be limited to a rate of 4 or 8 cubic feet for twenty-four hours to each 20-acre lot, and to as many irrigators simultaneously as is possible with the supply available. When rotation has been resorted to in delivery to the main branches, the time period shall be reduced proportionately, but the endeavor will be to deliver heads sufficient in amount for the most beneficial use.

Water must be used continuously day and night, and should irrigation be completed before the schedule termination of a period of flow, the superintendent or ditch tender should be notified to have the delivery stopped.

Consumers are responsible for all water delivered to them and must make beneficial use of the entire amount, allowing no avoidable waste.

**Rule 10. Deviations from Schedules.**

Deviation from the established schedule will be allowed only by *previous arrangement* and when the efficiency of the system is not thereby seriously impaired, so that irrigators desiring a less flow for a length of time may be accommodated, and in case an irrigator is not ready for water when his turn is scheduled, he may exchange with another.

**Rule 11. Credit for Nonuse.**

When a water user has not taken advantage of the supply available during any period, nor arranged an exchange with another user, he may be supplied during the next period provided there is more water available than sufficient to supply all demands.

**Rule 12. Control Over System.**

(a) The structures on the company's canal system will be under the exclusive control of the company's employees. The superintendent will give full instructions to ditch tenders in regard to all changes to be made in the flow of water. Any other person tampering with or in any manner changing the arrangement of gates or flashboards in any turn-out, check, drop or other structure of the canal company, will be dealt with according to law.

(b) The superintendent may grant special permission from time to time to irrigators to alter flashboards or gates, which permission should be in writing or by message later substantiated by a written communication, and will be for the specific time only. It may, however, be arranged that a number of users on a lateral shall change their gates in compliance with an established rotation schedule.

**Rule 13. Deductions for Oversupply.**

If any consumer shall have been found through his own or any other unauthorized person's act to have obtained more than his ratable supply

of water, the amount above his proper supply shall be deducted from later runs, to compensate the other consumers.

**Rule 14. Unit of Measurement.**

The unit of measurement will be the cubic foot per second.

**Rule 15. Measurement of Water and Records.**

Gauging stations will be established at points in the main and branch canals. At all practicable points in the laterals, weirs or other measuring devices will be placed in sufficient number to arrive at a close approximation of the amounts of water delivered at all points upon the system of the company. Records shall be kept in the office of the company showing throughout the season the amount of water that has passed each such point, and will be carried to totals by months, and each interested party will on request be informed at the close of the season of the amount of water which he must reasonably have received in so far as the jurisdiction of the company extends.

**Rule 16. District Superintendents and Ditch Tenders.**

The official personnel of the company who will deal with consumers will include two district superintendents, whose duty will be the supervision of the individual ditch tenders and the keeping of records of the amounts of water turned into canals, branches and laterals and chargeable to individual consumers. A sufficient number of ditch tenders will be employed to visit once daily, practically every point on the system where water is running. Their duty will be to follow strictly the instructions of the district superintendents in the delivery of water to the various consumers, to make gauge and weir readings at all established measuring points, to guard and care for the property of the company used in the distribution of water, to see that water is not wasted, to report any case of such wasting of water by consumers and trespasses upon any part of the company's system, tampering with gates and flashboards and complaints made along their respective beats. Complaints may also be made directly to the company's office, in writing or by 'phone.

**Rule 17. Relation Between Company and Consumers.**

All officials of the company are instructed to aid the water users in every manner, and to courteously and respectfully consider all criticisms and suggestions. The company will meet with the desires of each consumer in so far as it can do so with justice to all interested parties.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of March, 1914.

## DECISION No. 1391.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION  
ON ITS OWN INITIATIVE OF THE RATES AND PRACTICES  
OF THE EASTSIDE CANAL AND IRRIGATION  
COMPANY.

---

Case No. 309.

---

Decided March 31, 1914.

---

*Held.* That within twenty days defendant shall take over and operate all laterals supplied from its ditches, thereby permitting a more equitable distribution of water between consumers situated at a distance from the intake of such laterals and those more favorably situated.

*Held.* That the rate, rules and regulations of defendant are unjust and discriminatory; just and reasonable rules and regulations prescribed and a rate of \$1.50 per acre per year, payable on or before February 1st for the ensuing season established.

*Held.* That defendant has reached the limit of its capacity as to its ability to supply water, and shall hereafter supply no additional lands, with the exception of certain districts named herein and now being supplied from defendant's ditches.

*F. J. Solinsky and Walter D. Cole*, representing Eastside Canal and Irrigation Company.

## REPORT OF THE COMMISSION.

EDGERTON and GORDON, *Commissioners*.

The case of *W. D. Adams vs. The Eastside Canal and Irrigation Company*, No. 298, and the case entitled "*In the matter of the investigation on the Commission's own initiative of the rates and practices of the Eastside Canal and Irrigation Company*," No. 309, were consolidated for hearing, and by agreement of all parties all of the evidence introduced in each case was made applicable in the consideration and the decision of each and both of these cases.

In addition to the formal complaint filed by Adams, the Commission was in receipt of a large number of informal complaints by consumers of the defendant company, and in order to adequately consider the relations of this company to its consumers, it was deemed wise by the Commission that a comprehensive inquiry be had into all of the rates, rules and regulations, practices and facilities of the company, and to this end the Commission proceeded on its own initiative.

The complaints against this company may be summarized as follows:

1. Inadequate water supply to consumers.
2. Discriminatory and unfair distribution of water as between consumers.
3. Discriminatory, unfair and unreasonable rates charged consumers.

4. Unfair practice on the part of the company in compelling consumers to maintain, repair and operate lateral ditches.

5. Unfair, unjust and unreasonable practice of the company in the failure to properly conserve water conveyed through its ditches and to obtain for its consumers all available water.

6. Unfair, unjust and unreasonable practices in the operation of its plant and system.

7. Unjust, unreasonable and unfair practice in delivering water to a larger amount of land than its system could properly supply, resulting in an undue diminution of the supply of water to each consumer.

8. Threatened delivery of water to additional land, which would result in still further diminishing the supply of present consumers.

These complaints will be considered in their order, as above, and will be followed by consideration of the valuation of the plant of defendant, fixed by its engineers and the valuation fixed by the engineers of this Commission.

The testimony, we believe, establishes beyond controversy that at least during certain years there has been delivered to consumers a wholly inadequate water supply. Particularly is this true of the year 1912, but this year was an unusually dry one, and we do not believe should be taken as a typical year by which to judge irrigation systems in this State.

The primary cause of inadequate supply of water by this system is the apparent impossibility of the owners and operators obtaining a constant and sufficient supply of water from the San Joaquin River. This river varies greatly in the quantity of water carried in its channel, and is subject to rapid and considerable increases and decreases in the bulk of its stream, not only from year to year, but during intervals in each season. The evidence clearly establishes the fact that defendant, through its officers and attorneys, has made every effort to obtain the largest amount of water from this river for its canal, but it has to contend not only with the physical conditions of the river and its water supply, but also with numerous and determined onslaughts upon its right to take water from the river by others, who repeatedly for the past fifteen years have attempted by every sort of legal and other device to take a part or all of the water claimed by defendant from this river. The defendant has made a determined fight against every such attempt, and as a result has been put to a great expense in maintaining its water supply. As an example of this, we cite the testimony of Mr. James F. Peck, who has acted for it as attorney in all of these controversies for fifteen years. He testified that the agreed compensation for his services in these matters was \$300,000.00, \$30,000.00 of which had been paid and \$270,000.00 of which was represented by the promissory note of defendant. Incidentally, attention is called to a statement made by Mr. Peck,

given while on the witness stand, which will be discussed more fully later, to the effect that notwithstanding these fifteen years of litigation, the defendant is no more secure in its right to take water from the San Joaquin River than at the beginning, and that constant additional forays were being made against it in the courts, and it could be reasonably anticipated that such attacks would continue.

We hold, therefore, that the defendant must be exonerated from any charge that it has not adequately and faithfully protected or attempted to protect its supply of water.

As to the water supplied its consumers we are satisfied from the evidence that the practices of the company have led to some of the consumers at times being deprived of water, or unduly cut down in their supply. For instance, it has been shown that at times when water was refused to consumers, large areas of land owned by the same parties who own this water system have been flooded with water, notwithstanding that such areas of land were not under cultivation, but were permitted to grow wild grasses. Also, we think it established that because of the lack of a proper system of regulating distribution in and from the laterals, some consumers have not received water at times and in amounts otherwise available.

The main ditch or canal of defendant runs through and irrigates at present about 10,000 acres of land, 3,000 acres of which are on a higher level than the remaining 7,000 acres. The result is that when water is low in the canal the high lands are deprived of water and the low lands are supplied. It was not shown, however, to be possible to alter this condition so as to place the high and the low lands upon an equality in this respect.

At one time three miles of the east wall of the main canal was washed away and the water from the canal ran into a depression in the land which was given the name of Bloss Lake or Bloss Reservoir. This wall has never been replaced, and the water from the canal has been allowed to run into the depression until it has filled, when the water in the canal resumes its course. Naturally, when the level of the water in the canal falls, the water from this lake runs back into the canal, but usually at such a level as to be unavailable to the high land, but available to the low land. Complainants located on some of the high land contend that if this wall were replaced or rebuilt their supply of water would be increased, and, on the other hand, defendant contends that this lake forms a storage of water of benefit to the low lands, and that to do away with it by replacing the wall of the canal would result in the waste of water otherwise impounded in this canal and usable on the low land, and which water would be wasted and not used on the high land if the wall was replaced.

We are not convinced from the evidence that Bloss Lake constitutes a storage of much value to any of the lands. However, it is not apparent how the replacing of this canal wall would materially benefit the high lands, because at the time that Bloss Lake fills with water there is a sufficient supply of water in the canal to irrigate the high lands, and probably the water which runs into the Bloss Lake would otherwise waste. Later, however, a certain amount of water is continuously consumed by evaporation, transpiration and seepage losses from Bloss Reservoir. These losses will continue through at least a portion of the period of insufficient supply preceding final draining when water service is discontinued for the season to the high lands, and the canal drained to its lowest level for use on the low lands beyond.

This canal system was originally built by James J. Stevinson and John W. Mitchell, and was installed for the purpose of irrigating land owned by these two parties. Subsequently, John W. Mitchell transferred all of his interest in the canal property to Stevinson and Stevinson later conveyed his interest to defendant. By agreement or adjudication of the courts, water from this canal system was apportioned to the land through which it ran. The land owned by Stevinson was conveyed by him to a corporation known as the James J. Stevinson Corporation, and the owners of this land company and the owners of defendant have been at all times and practically now are the same people.

The Stevinson Corporation sold under contract approximately 8.407 acres of land, and under an agreement between it and the Canal Company, defendant herein, the Stevinson Company agreed with the purchaser of the land that upon the carrying out of the terms of the contract by the purchaser, the Canal Company would convey to him a water right, and from the time of entering into the contract the purchaser was to pay the Canal Company \$1.00 per acre per annum in advance for the amount of water specified in the so-called water right.

The testimony shows that the Stevinson Corporation added to the price of the land sold under the contracts as aforesaid the sum of \$25.00 per acre for this so-called water right.

Some of the users of water under this system obtained their land from owners other than the Stevinson Company, and hence obtained no water right or contract. These people, however, have been furnished with water by defendant, and because they have no contract for water and have paid the Stevinson Company no money for water privileges, they were and are being charged \$5.00 per acre per year for the irrigation of alfalfa, \$2.00 per acre per year for natural grasses, and \$3.00 per acre per year for other character of irrigation.

Defendant contends that the outstanding contracts for the delivery of water wherein is fixed the rate and the conditions under which water

will be delivered are valid and binding contracts, and which must stand against any power of the Commission to change any of the conditions therein set out. This Commission has held squarely against this contention, first, in the case of the application of Murray and Fletcher, No. 118, Decision No. 536, and in subsequent decisions affirmative thereof, wherein it was decided that regardless of the conditions under which, and the time when such contracts were made, the power of the State, acting through the Commission, is paramount in respect to those matters set out in the Public Utilities Act wherein the powers of the Railroad Commission over the rates, practices, rules and regulations, service and facilities of public utilities are prescribed.

Under the provisions of the Public Utilities Act, if this Commission fixes rates to be charged its consumers by defendant for the delivery of water, such rates must be reasonable and must not be discriminatory.

On the facts of this case we find that all consumers in a like class should be placed upon a level, and this notwithstanding that there has been a great disparity in the payments in the past by consumers for the privilege of obtaining water. This may at first glance appear to be a hardship and an injustice to those who paid for these so-called water contracts as compared with those who have paid nothing and have no contracts and yet have received and will receive water. But when it is considered that in all probability the James J. Stevinson Corporation would have added this price of a water right to the price of its land had it not made this charge for water contracts, it becomes apparent that in all probability the present owners of land originally purchased from the Stevinson Corporation have paid no greater sum because of their obtaining these water contracts than they would have otherwise paid.

The Stevinson Corporation, at its own expense, constructed the laterals leading from the main ditch of defendant, and has always and does now maintain and operate these laterals at its own expense. As far as the evidence shows, no conveyance has ever been made of these laterals by the Stevinson Corporation.

This Commission has held in the case of *J. A. Andrew Francioni et al. vs. The Soledad Land and Water Company*, that it is to the best interest of all concerned that laterals and other distributaries should be maintained and operated by the company operating and maintaining the main ditch or canal system, and the reasoning in that case applies here, perhaps, with added force. The testimony shows beyond controversy that serious injustice has been done some of the consumers because of the lack of unified control and management of laterals which has resulted in the haphazard taking of water. The man located on a lateral nearest to the main ditch has the first opportunity to take water, and we can not rely upon the justice of an irrigator so favorably located



to take only so much water as he is justly entitled to. Experience shows that having the opportunity, consumers will first consult their own needs, rather than place themselves voluntarily upon an entirely even basis with other consumers less favorably located on the lateral. We think, therefore, that defendant should acquire, control, operate and maintain all of the laterals and distributaries connected with its system except those located on the land of consumers, used solely for his purposes.

Of course, in this event, defendant is entitled to such rates as will fairly compensate it for this service which involves a fair return on the property used therefor. We have been given to understand that defendant can and will acquire these laterals from the Stevinson Corporation if the Commission so orders.

A large part of the complaints against the operation of this plant arise through the operation of the laterals and distributaries. These laterals and distributaries are now owned and operated by the Stevinson Land Corporation and the ownership and operation thereof by the Canal Company under rules and regulations set out in the order herein will, in our judgment, largely eliminate the cause of these complaints.

We find that defendant has been furnishing water for irrigation purposes to the purchasers of land from the Stevinson Corporation and to owners of certain other lands, and, in addition, has at times furnished water to a large area of land owned by the Stevinson Corporation used for the growing of wild grasses for stock purposes. It is clear from the evidence that there is not sufficient water available in the system of defendant to regularly and fully supply all of this land with water, and we believe that the land used only for growing wild grasses should receive no greater use of water than has been accorded it in the past. The testimony of defendant's witnesses was that this last mentioned land was only furnished with water after all other consumers had been adequately supplied. This, we think, forms the basis for a proper and just rule; that the consumers of water under this system who have and are now regularly using the water for irrigation purposes shall first receive an adequate supply of water and that any surplus over such adequate supply may be supplied to this grass land.

It is impossible upon the evidence, however, to definitely separate the land which has been regularly irrigated for crops and the land which has been occasionally irrigated with surplus water for wild grasses. We can, however, from the evidence separate and define that land which has never received irrigation except with surplus water for grass land, and while this separation may leave within the area which may receive regular irrigation some land which has occasionally received only irrigation for grass lands, it is impossible to make a closer segregation. We recommend, therefore, that the order herein include provision for

the regular irrigation of the land within the smaller specified area and the land within the larger specified area to receive water for irrigation purposes only when the land within the smaller area has been fully supplied, and that defendant be ordered not to supply any new or additional consumers outside of both of these areas without the further order of this Commission.

Heretofore there has been rendered a decree of the Superior Court of Merced County, providing for the use of certain of the waters flowing in defendant's canal on certain lands adjacent to said canal, and the order herein with relation to restricting the use of water should be made subject to such decree.

In fixing reasonable rates to be charged by defendant for the delivery of water, consideration must be given, of course, to the value of the property used in serving consumers. The company, through its engineers, presents in evidence a complete inventory and appraisal of the property claimed by defendant to be used and useful in this service, and the engineers of this Commission have presented in evidence an inventory and appraisal.

In addition to the property inventoried by the company's engineers, defendant claims that it is entitled to a return upon the value of its right to take water from the San Joaquin River.

Only meagre evidence was introduced on the question of the value of water rights, and while we find a very able argument presented in the exhaustive brief of F. J. Solinsky and W. D. Cole, attorneys for defendant, on this subject, we believe that the evidence as a whole is such as to obviate the necessity of determining in this case the extremely important question, as yet undecided by this Commission, of whether or not public utility water companies in this State are entitled to return upon the alleged value of water rights.

The evidence introduced by defendant shows that it has not an undisturbed and undisputed right to the use of any definite amount of water from the San Joaquin River, its only source of supply.

There has been litigation over defendant's water rights covering a period of fifteen years and the testimony of Mr. James F. Peck, attorney for defendant in this litigation, is that the water rights of defendant are no more secure now than they were at the beginning of this litigation. Furthermore, the amount of water available to defendant from the San Joaquin River varies enormously from year to year, and it is utterly impossible from the evidence introduced in this case to determine the amount of water upon which we are asked to fix a value. Under these circumstances, we deem it impossible to intelligently discuss the question of the value of water rights, and we, therefore, make no finding on the value of water rights. Rather we find on the value of the water system as a whole under all the evidence introduced in this case.

By way of illustrating the alleged value of its water rights, defendant shows that for fifteen years it has been engaged almost constantly in defending its right to take water from the San Joaquin River against attacks made in the courts. This litigation has proven enormously costly to defendant. Testimony shows that this company has agreed to pay its attorney, Mr. James F. Peck, for his services in this litigation \$300,000.00, \$30,000.00 of which has been paid, the rest being evidenced by promissory notes given him by the company.

Mr. Peck testified at the hearing that notwithstanding this fifteen years of litigation, constant attacks in the courts were being made against the company's water rights, and it could be reasonably anticipated that such attacks would continue. Notwithstanding the enormous comparative sum expended and contracted to be expended by defendant in protecting its water rights apparently it is no more free now than at the beginning from such attacks. The attorney's fees alone amount to more than is claimed by defendant to be the entire physical value of the water system.

We do not believe that defendant should be allowed to take from the consumers reimbursements for these enormous expenditures. We do not question the good faith of defendant in defending its water rights, nor do we propose to pass upon the question of the reasonableness of the attorney's fees paid. However, we think that consumers can justly be charged only with such property the title and possession of which may be maintained at reasonable expense. Even though it be determined that water rights as such have a value upon which consumers should pay a return, still such water rights so to be valued should be stable and not enormously costly to maintain.

We believe that at least this much responsibility in this regard rests upon the public utility: That it produce property at reasonable cost and reasonably secure as to title and possession and that if it do less than this, its must be the loss. The consumer has a right when he purchases land under a water system to assume that the owners of such system have used reasonable prudence and foresight in designing and establishing the property. It is unreasonable to thrust the responsibility of determining complicated and difficult questions of title upon the consumer so that it could be said that once he becomes a consumer he does so with notice that the property of the company may become costly by reason of litigation and disturbance of its title. On the other hand, the utility has every opportunity and should make careful investigation before it launches the enterprise.

By this we do not mean to say that reasonable expense for maintaining and protecting title to property should not be allowed, because, of course, this Commission will expect a utility to protect its property on

behalf of the consumers and itself, and of course realizes that the cost of such reasonable protection must be borne by the consumers where a reasonable return only is allowed the utility.

Our regret at the losses which may be suffered by the utility in this case because of the above finding is somewhat softened by the fact which is apparent from the testimony that the water system was established primarily, not for the purpose of profit from the delivery of water, but for the purpose of adding to the value of the land owned by the promoters of the water system. Having the opportunity to place such value as they saw fit upon the land, they could well afford to take chances on the cost of maintaining the title to their water, as it is easily possible that prospective profits on the sale of land might absorb their losses in protecting their water. Further, Mr. Peck testified that the price of the property under this system owned by the Stevinson Corporation designedly included the cost of the water plant. Hence it may be possible that notwithstanding the enormous expenditures made by defendant in protecting its property its entire venture may prove profitable.

The present value of the physical properties now operated by defendant fixed by its engineers is \$148,042.00, and the value fixed by the engineers of this Commission for this property is \$110,764.00. The present value of the laterals and distributaries which it is found can and will be owned and operated by defendant, as fixed by the engineers of this Commission, is \$58,500.00.

The evidence shows that this irrigating plant was built of a size sufficient to irrigate approximately 50,000 acres of land, and the land which has been irrigated is about 11,000 acres.

We believe it to be unjust to charge against consumers the total value of a system built of a size largely in excess of that which would be required to serve them and also largely in excess of a size adequate to convey the quantity of water available. We shall, therefore, consider a return upon the value of this plant reasonably used in the service of the present consumers, and also reasonably necessary to convey the amount of water available.

Without indulging in a detailed discussion of the differences in values between the engineers of the defendant and the engineers of this Commission, we find that the fair present value of the property used and to be used in the service of the present consumers is \$110,000.00; annual depreciation \$1,050.00; annual expense of maintenance and operation \$9,300.00; interest at 6 per cent per annum \$6,600.00; total \$16,950.00.

Based on the above we find that a reasonable rate to be charged by defendant for the service of water to its consumers is \$1.50 per acre per year.

We are under the necessity in this case of fixing a flat rate because of the impossibility at this time of determining the quantity of water heretofore used, or which will hereafter be used, by the various consumers, and the condition of the supply of water is such as to necessitate rapid distribution when water is available.

We submit herewith the following form of order:

**ORDER.**

The Railroad Commission of the State of California having on its own initiative called into question the rates and practices of the Eastside Canal and Irrigation Company, and an investigation having been made and a hearing having been duly held, and the Commission being fully apprised in the premises, it is hereby found as a fact—

1. That the present rates, practices, rules and regulations of the Eastside Canal and Irrigation Company for the distribution of water to its consumers are unreasonable and unjust.

2. That all of the following described land is within the area irrigated and properly irrigable from the system of defendant and is entitled to irrigation under the rules and regulations herein prescribed:

In township 7 south, range 10 east, M. D. M.

All of sections 7, 8, 9, 10, 14, 15, 16, 17, 18, 22, 23, 24 and 25.

The southwest quarter of section 3, and that portion of the northwest quarter of said section 3 that lies south of the Merced River.

The west half and the southeast quarter of section 11, and such portion of the northeast quarter of said section 11 as lies south and west of the ditch known as the "Adams Lateral."

That portion of the southwest quarter of section 12 that lies south and west of said "Adams Lateral."

The southwest quarter of section 13, and those portions of the northwest quarter, the northeast quarter and the southeast quarter of said section 13 that lie south and west of said "Adams Lateral."

The northeast quarter of section 19, and lot 5 situated in the northeast quarter of the northeast quarter of said section 19.

The north half of section 20.

The north half and the north half of the southeast quarter of section 21.

The northeast quarter and the northeast quarter of the northwest quarter of section 26.

And the following parcels of land all situated in township 7 south, range 9 east, M. D. B. and M., described as follows:

Section 1.

The north half, the southeast quarter and the north half of the southwest quarter, and the southeast quarter of the southwest quarter, section 12.

The north half of the northeast quarter, and the southeast quarter of the northeast quarter, and the east half of the northeast quarter of the southeast quarter, section 13.

All of sections 4, 5 and 6 that lie south of the Merced River.

And that portion of the east half of section 5 that lies south of the Merced River.

3. That all of the following described land is within the area heretofore occasionally irrigated with surplus water after the lands situated in the area described in the preceding paragraph have been irrigated and is entitled to irrigation with the surplus water left after the needs of the consumers whose lands are situated in the area described in paragraph 2 have been supplied:

All lands in township 7 south, ranges 9 and 10 east, M. D. M., not described in the preceding paragraph and lying north and east of the San Joaquin River and east of the Merced River.

4. That the Eastside Canal and Irrigation Company has reached the limit of its capacity to supply water in serving the land described in paragraphs 2 and 3, and that no further consumers of water can be supplied from the system of said company without injuriously withdrawing the supply wholly or in part from those lands now being served by said company.

5. That reasonable and just rates and reasonable and just rules and regulations and practices by the Eastside Canal and Irrigation Company for the service of water to its consumers are the rates, rules and regulations, and practices specifically set out in the order following.

Basing its order upon the foregoing findings of fact and the further findings of fact set out in the opinion preceding this order,

*It is hereby ordered* by the Railroad Commission of the State of California:

1. That within a period of twenty days from the date of this order, the Eastside Canal and Irrigation Company take over and operate all the lateral ditches and distributaries connected with its water system by and through which water is conveyed from its main canals to the land of consumers, and which are now, or claimed to be in the ownership of the James J. Stevinson Corporation.

2. That the Eastside Canal and Irrigation Company shall serve water for irrigation purposes to all those lands described in paragraph 2 of the findings of fact herein.

3. That said company may serve water to those lands, described in paragraph 3 of the findings herein, after the needs of the consumers located on the land, described in paragraph 2 of the findings herein, have been supplied.

4. That said Eastside Canal and Irrigation Company shall not furnish water to any new or additional consumers located outside of the areas described in paragraphs 2 and 3 of the findings herein without the further order of this Commission.

5. Immediately upon taking over the laterals and distributaries as provided in paragraph 1 of this order, the Eastside Canal and Irrigation Company shall file with this Commission a schedule of rates and rules

and regulations and practices for the distribution of water to its consumers as follows:

The rates to be charged by the Eastside Canal and Irrigation Company shall be \$1.50 per acre per year, payable on or before February 1st for use during the ensuing season.

**Rule I. General Statement.**

The Eastside Canal and Irrigation Company will provide and operate and maintain diversion works, the main canal, branch canals and laterals with the appurtenant structures necessary for the distribution of water to all consumers, except where laterals and structures have been constructed and are claimed by individuals or associations of individuals.

The company, however, maintains the right to supervise delivery to all individuals from whom it exacts payment, and will require that all distributaries not under its direct control shall be in proper condition for the distribution of water.

**Rule II. Methods of Distribution.**

(a) A "pro rata" distribution of water implies simultaneous delivery of water at the established point on the system for each and every consumer in the proportion of the total amount available according to the individuals' right and desire to receive, as fixed by acreage, payment or otherwise. This may be applied to the main canal in its distribution to principal divisions and laterals or to the entire system.

(b) "Rotation" shall mean the delivery of water in larger heads than would be available under a pro rata distribution on a part of the system at a time, serving laterals and individuals in turn; the aim being to deliver to each consumer ultimately as exactly a proportion of the supply available as by "prorating."

**Rule III. Protection of Supply.**

The company will endeavor at all times to divert all water legally within its right and available into its main canal, to the limit of the aggregate demands upon it, and will use every endeavor to protect the water supply and transmit the same in proper proportional amounts to consumers.

**Rule IV. Distribution of Supply.**

(a) *Full supply.* When sufficient water is available for all demands it will be distributed at all division points and turn-outs to branch canals, laterals and individual consumers in a proportional part of the total flow available, allowing for seepage loss; this proportion being based upon the acreage for which payment has been made and the particular service applied for.

When the company has fully supplied all demands within the area described in paragraph 2 of the findings herein, excess water may be served to the lands described in paragraph 3 of the findings herein.

(b) *Partial supply.* When the supply available is between that sufficient to supply demands, as above stated, and about 75 per cent of such amount, water will be prorated between the principal distributing ditches, but will be rotated between individual consumers and to smaller laterals.

(c) *Short supply.* When the supply available is *under* about 50 per cent of that sufficient to fully supply demands the company will rotate to main ditches as well. So far as possible a forecast will be made of the available water supply and rotation between main ditches shall be so planned as to provide a full head in each ditch during the period of flow, which period will be varied in accordance with the amount of the total flow available. As many as may be of the branch canals will be filled simultaneously, and the flow will be continued for as long a period as possible with a probability of providing a ratable service to all parts of the system during the ensuing season.

**Rule V.**

The company will establish schedules based upon the applications for water and payments made; and during the portion of the season when rotation has become essential for the best use of the water available it will give notice to its consumers by reasonable methods, of the time of beginning and ending their use of water. Such publication of notice of rotation periods shall be made not less than two days before the beginning of the period, except in case of emergency, when the best endeavor will be made by the company to spread the necessary information.

**Rule VI. Sequence of Rotation.**

The order in which ditches and consumers will be served will be established by the company, and provided it has not been possible, due to fluctuation of the water supply available, to give each consumer a ratable service in any one season, precedence will be given those who have received a deficient supply, during the following season.

**Rule VII. Rotation Delivery to Individuals.**

Between individual users along the main canal of the company, and on minor distributaries where each individual may use the full flow, delivery of water shall always be by rotation, commencing generally at the farther end of such laterals. On these laterals water will be delivered to consumers, in turn, the length of time being in accordance with the acreage paid for, modified by demand and use. The rate at which water is supplied shall be limited to 4 cubic feet for twenty-four hours to each 20 acres. When rotation has been resorted to in delivery to the



main branches, the length of time shall be reduced proportionately; but the endeavor will always be to deliver a sufficient head for the most beneficial use.

**Rule VIII. Deviation From Schedule.**

Deviation from established schedules will be allowed when the efficiency of the system is not impaired and only by previous arrangement with the superintendent of the canal company and all water users who may be inconvenienced; similarly an irrigator not ready to use water in his turn may exchange time with another.

**Rule IX. Credit for Nonuse.**

When a water user has not taken advantage of the supply available during any period, nor exchanged with another, he may be supplied during following periods, providing *no other* user is inconvenienced.

**Rule X. Control of System.**

The canals, ditches and appurtenant structures, which it is the duty of the company to maintain and operate, are under the exclusive control of the company employees. The superintendent will give full instructions to ditch tenders in regard to all changes to be made in the flow of water. Any other person tampering with any such property or changing the arrangement of gates or flashboards in any turn-out, check, drop or other structure of the canal company is trespassing and will be dealt with according to law.

The superintendent, however, may grant special permission to irrigators to alter flashboards or gates, which permission should be in writing or by message, later substantiated by written communication, and will be for a specific time only. Further it may be arranged that a number of users on a lateral shall change the gates in compliance with the established schedule.

**Rule XI. Deduction for Oversupply.**

If any person shall have been found, through his own or any other unauthorized person's act, to have obtained more than his ratable supply of water the amount above his proper supply shall be deducted from later runs to compensate other consumers.

**Rule XII. Unit of Measurement.**

The unit of measurement of flow will be the cubic foot per second of time; and of quantity the acre foot, the amount sufficient to cover an acre one foot deep.

**Rule XIII. Maintenance and Records.**

The company will establish gauging stations, and other methods of measurement, at suitable points on the main and branch canals and laterals in sufficient number to arrive at a close approximation of the amounts of water delivered at all points upon the system of the com-

pany. Records will be kept of the amount of flow passing such points daily or oftener, and from such records the amount of water delivered to individuals will be determined and carried to totals by months; and each interested party will be informed, on request, of the amount of water which he has received.

Where it is reasonable to do so, measurements will be made at the point of delivery to individual consumers.

**Rule XIV. Superintendent and Ditch Tenders.**

The superintendent of the canal system will establish the schedules which will be followed in the delivery of water to consumers, and will establish the points and methods of measurement of water, obtaining approval of said matters from the Railroad Commission.

There will be a sufficient number of ditch tenders employed to adequately patrol the entire system operating, and shall visit at least once daily practically every point on the system where water is running. It will be their duty to follow, strictly, the instructions of the superintendent in the delivery of water to the various consumers, to make gauge and weir readings at the established measuring points, to guard and care for the property of the company, to assist in the distribution of water, to see that water is not wasted and to report to the company superintendent any dereliction or trespasses on the part of consumers.

**Complaints.**

Complaints or special requests should be made in writing and addressed to the local office of the company.

**Rule XV. Relation Between Company and Consumers.**

All officials of the company are instructed to aid the water users in every manner and to courteously and respectfully consider all criticisms and suggestions. The company will meet with the desires of each consumer in so far as it can do so with justice to all interested parties.

**Rule XVI.**

The failure of any consumer to pay the water rate in advance as herein provided, shall exonerate the company from any delivery of water to him during the year of the failure to so pay the rate.

The order herein made shall be subject to the decree or decrees of the Superior Court of Merced County, heretofore made, wherein water taken by defendant herein from the San Joaquin River is allotted to certain specified land.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 31st day of March, 1914.

## DECISION No. 1392.

E. T. DOWNS

*vs.*

CALISTOGA ELECTRIC COMPANY.

Case No. 555.

*Decided March 31, 1914.*

Complainant petitions Commission to compel defendant to install, at its own expense, a service connection to supply him with electrical energy.

*Held*, That as the Napa Valley Electric Company has been granted a certificate of public convenience and necessity to serve the territory in which complainant resides, and has agreed to install all connections at its own expense, complaint dismissed without prejudice.

*E. T. Downs, in propria persona.*

*Raymond Benjamin, for Defendant.*

## REPORT OF THE COMMISSION.

THELEN, *Commissioner.*

This is a complaint to compel an electric utility to extend its distributing system, at its sole expense, to serve electric energy to a farmer living south of Calistoga, Napa County, California.

The complaint alleges, in effect, that in November, 1913, defendant agreed to construct, at its own expense, an extension of its electric distribution system to supply electric current for lighting to complainant's house on his ranch some two miles south of Calistoga; that complainant, relying on said agreement, wired his house, windmill and barn, at an expense of \$115.00 to receive such electric current; that defendant refuses and neglects to construct said extension; and that complainant has performed his part of the agreement but that the defendant has failed to perform its part. The complaint prays that the defendant be compelled to build said line at its own expense and thereafter to supply complainant with electric energy.

The answer denies all the material allegations of the complaint, alleges that defendant at no time agreed to extend its lines to serve complainant, but expresses a willingness to serve complainant whenever the revenue to be secured will be sufficient to warrant the necessary outlay.

The hearing was held in San Francisco on March 18, 1914, and the case is now ready for decision.

The evidence shows that complainant is a farmer residing on a ranch some two miles south of Calistoga; that in November, 1913, he made certain inquiries from the defendant's general manager with reference

to the extension of a distribution line from defendant's 6,600 volt line running from Bale Station to Calistoga, to a point some 500 feet distant, opposite complainant's ranch; that complainant understood defendant's manager to say that when complainant's house was wired, defendant would build an extension to his ranch, at his own expense, and thereafter deliver electric energy to him; that thereupon complainant wired his house, windmill and barn for the receipt of electric energy for lighting purposes, at an expense of \$115.00; that defendant thereafter refused to extend its lines to complainant's ranch unless he should pay the sum of \$75.00 towards its construction, this amount to be gradually returned to complainant in the form of reductions in the monthly bills for current supplied; that complainant refused to pay this sum; and that complainant has been unable to secure electric energy from defendant except upon compliance with the terms hereinbefore set forth.

Defendant's manager denied that he had ever promised to extend a line to complainant's premises at the company's sole cost, but admitted that he had held out the hope that complainant would secure electricity if he would wait a while.

The defendant utility, hereinafter referred to as the company, secures its electric energy from the Napa Valley Electric Company at a point known as Bale Station, on the line of the Southern Pacific Company several miles south of Calistoga and thence conveys it by means of a 6,600 volt line to the incorporated town of Calistoga. The company serves electric energy to the inhabitants of Calistoga and to three or four customers outside of the town.

The complainant's house is located between Bale Station and Calistoga, some two miles south of Calistoga, a distance of some 500 feet easterly from the company's 6,600 volt line. Mr. Davis lives diagonally across the road from complainant and could be served from the same line. Mr. Tucker lives on the same side of the road as Mr. Davis, but some 1,000 feet farther removed from the company's 6,600 volt line. The complainant, Davis and Tucker all want electricity for lighting purposes. Mr. Tucker would probably require power for a small motor.

In order to construct an extension to serve the complainant, it will be necessary to cross the tracks of the Southern Pacific Railroad Company and also to brace the line across the tracks of the San Francisco, Napa and Calistoga Railway Company, at a point known as Dunnaweal. To serve both the complainant and Davis would require an investment of about \$200.00, while for the complainant alone the cost would be approximately \$192.50.

The probable revenue from these customers will be about \$15.00 per annum from each.

The company is at present purchasing its electric energy used for lighting purposes for  $4\frac{1}{4}$  cents per kilowatt hour. Assuming that these two customers would use electric energy amounting to \$30.00 per annum at the present rate of 10 cents per kilowatt hour, the energy cost, including the cost of the energy which is lost in the transformer, will approximate \$23.50. This leaves only \$6.50 to cover interest on the investment, depreciation, maintenance, billing and collecting.

The company is asking in another proceeding for a reduction in the rate which it must pay to the Napa Valley Electric Company, and states that if a material reduction is secured it will be able to make extensions in the rural districts in many cases in which such extensions would result, under present conditions, in a continued outright loss. The company offers to abide by any order the Commission may make with reference to the Downs extension. The company now has no franchise authorizing it to serve electricity outside of Calistoga, but has recently made application for such franchise to the board of supervisors of Napa County.

If the company now desires to serve the complainant, it may do so as soon as it has secured a franchise from the county and has secured from this Commission a certificate of public convenience and necessity authorizing it to exercise the rights conferred by such franchise, as provided by section 50 of the Public Utilities Act. It becomes unnecessary to decide now whether this Commission should compel the company to extend its line at its own cost to Mr. Downs, for the reason that in its decision on Application 1020, rendered this day, the Commission has granted to Napa Valley Electric Company a certificate of public convenience and necessity authorizing the company to enter into and serve all the territory in Napa County between Bale Station and the northern limits of the county, except the town of Calistoga. This certificate was granted in response to the voluntary promise of D. L. Beard, president of the Napa Valley Electric Company, that if permitted to enter the territory, his company would extend its lines free of cost, to the complainant and all other persons in this territory desiring the use of electric energy. Said certificate, so granted by this Commission, is made conditioned upon the Napa Valley Electric Company's extending its lines and serving, within two months, the complainant, Davis and Tucker or so many of them as may demand the service, at the Napa Valley Company's own expense.

We accordingly suggest to Mr. Downs that if he can not now make satisfactory arrangements with the Calistoga Electric Company he address himself to the Napa Valley Electric Company and request prompt service under the promise made by that company.

I submit herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding and the case having been submitted and being now ready for decision and it appearing that the Napa Valley Electric Company has secured from this Commission a certificate of public convenience and necessity authorizing it to enter certain territory in Napa County on the promise that it will at its own cost extend its lines to persons desiring electricity, including the complainant herein, so that it becomes unnecessary to order the Calistoga Electric Company to serve him at its own sole cost and expense,

*It is hereby ordered* that the above entitled proceeding be and the same is hereby dismissed, without prejudice, however, to the right of the Railroad Commission to make such further order in this proceeding as it may hereafter find to be just and reasonable.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 31st day of March, 1914.

---

DECISION No. 1393.

IN THE MATTER OF THE APPLICATION OF NAPA VALLEY ELECTRIC COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING SAID COMPANY TO CONSTRUCT AN EXTENSION OF ITS ELECTRIC DISTRIBUTION SYSTEM INTO THE TOWN OF CALISTOGA AND THE VICINITY THEREOF IN NAPA COUNTY, CALIFORNIA.

---

Application No. 1020.

*Decided March 31, 1914.*

---

Application of Napa Valley Electric Company for a certificate of public convenience and necessity authorizing it to construct a distribution system and serve the territory comprising the town of Calistoga and surrounding territory, denied as to the town of Calistoga and granted as to the surrounding territory, provided that applicant agrees, when request is made by a prospective consumer, to install a service connection at its own expense.

*Milton U'Ren*, for Applicant.

*Raymond Benjamin*, for Calistoga Electric Company.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for a certificate of public convenience and necessity under the provisions of section 50 of the Public Utilities Act, authorizing applicant to extend its electric distribution system to the town of Calistoga and the vicinity thereof, in Napa County, California.

The petition herein alleges that the applicant supplies electric energy to that portion of Napa County which lies north of an east and west line, four miles south of the station of the Southern Pacific Company at Yountville, in Napa County; that the Calistoga Electric Company supplies electric energy in Calistoga and vicinity as applicant's distributing agent, under the provisions of a certain contract, a copy whereof is attached to the petition and marked "Exhibit A"; that the Calistoga Electric Company has offered in violation of the terms of said contract to sell its electric distribution system to persons other than applicant herein; that the Calistoga Electric Company is an unnecessary intermediary in the distribution of electric power to the territory served by that company; that the service of the Calistoga Electric Company is inadequate, that its rates are higher than those which applicant is prepared to place in effect if the application is granted and that the granting of the application would dispense with the Calistoga Electric Company's overhead charges; that applicant pays less for its electric power than the Calistoga Electric Company pays, and consequently is able to serve the customers of the Calistoga Electric Company at a rate less than that charged by said company; that applicant is ready, willing and able to serve the territory with electric energy at a rate lower than that which the Calistoga Electric Company is now collecting from its customers; and that the present and future public convenience and necessity require the construction by applicant of an extension of its electric distribution system into the territory now being served by the Calistoga Electric Company.

The Calistoga Electric Company appeared at the hearing and protested against the granting of the application.

The evidence shows that on May 13, 1911, the Napa Valley Electric Company entered into a contract with E. L. Armstrong of Calistoga, under which contract Armstrong agreed to form a corporation to be known as the Calistoga Electric Company for the purpose of retailing electric current in the incorporated town of Calistoga and the unincorporated territory lying in Napa County north of an east and west line crossing the southerly line of the intersection of the county road to Bale Station with the right of way of the Southern Pacific Company, north of St. Helena, in Napa County, and that he would assign the

contract to this corporation when formed. The Napa Valley Electric Company agreed to supply Armstrong and his assigns such electric energy as should be required in said territory. The parties agreed that the current so delivered should be a 3-phase alternating current of approximately 6,000 volts, and that the current should be paid for at the rate of 5 cents per kilowatt hour for the first 10,000 kilowatt hours used during any one month, provided that if the current used during any one month for lighting should exceed 10,000 kilowatt hours, the rate should be for such month  $4\frac{1}{2}$  cents for all current consumed for lighting purposes, and that when the amount consumed should have reached the total of 15,000 kilowatt hours during any one month, the rate for such month should be  $3\frac{1}{2}$  cents per kilowatt hour for current used for lighting purposes. The contract also specifies the rates for current used for power purposes. The contract contains other provisions which it is not necessary at this time to consider.

Under this agreement, Armstrong incorporated the Calistoga Electric Company and assigned to it his contract with the Napa Valley Electric Company. The Napa Valley Electric Company, or persons acting in its behalf, secured the right to set poles from St. Helena northerly through Bale Station to the town of Calistoga. The Calistoga Electric Company received delivery of current from the Napa Valley Electric Company at Bale Station, and constructed the poles and wires conveying said current thence to the town of Calistoga. The company constructed a distribution system in the town of Calistoga, and is the only company supplying electric energy within the limits of the town. Outside of the town the company supplies electric energy to only three or four customers, of whom three are located between Bale Station and the southerly limits of the town of Calistoga.

In considering this application, I shall first consider the situation in the town of Calistoga and then the situation in the unincorporated territory between Bale Station and the northerly limits of Napa County.

No one appeared to enter a complaint concerning the service of the Calistoga Electric Company within the town of Calistoga. One of the applicant's own witnesses testified that there is very little additional business which might be secured in the town. The testimony shows that it would cost some \$8,000.00 to duplicate the distribution system of the Calistoga Electric Company and that very few, if any, additional customers would secure service as the result of the expenditure of this money. The only evidence in any way justifying the proposed admission of the Napa Valley Electric Company into the town of Calistoga is the fact that the rate at present being charged for electric energy for lighting purposes is 10 cents per kilowatt hour, whereas the Napa Valley Electric Company offers to put into effect the same rate which it



accords to the consumers which it now serves in other territory for lighting purposes, being a sliding scale starting with a rate of 9 cents per kilowatt hour. The Calistoga Electric Company claims that the reason why it has not been able to establish a lower rate for lighting in the town of Calistoga is that it purchases its electric energy from the Napa Valley Electric Company, and that the latter company's rate for this energy, being at present 4½ cents per kilowatt hour for lighting purposes, is so high that the Calistoga Company has been unable to make any money or to reduce the rate for lighting in the town of Calistoga. As the Napa Valley Electric Company has itself established the rate which it charges the Calistoga Company, it hardly lies within the mouth of that company to claim that the rate which the Calistoga Company charges for electric current consumed for lighting purposes within the town of Calistoga is too high. This Commission has now under consideration in another proceeding the question of the reasonableness of the rate charged by the Napa Valley Electric Company to the Calistoga Electric Company. The Calistoga Electric Company has offered, in case this rate is found to be too high and a reduction is made, to give the benefit of the reduction to its customers in Calistoga.

Upon a careful consideration of all the evidence bearing on the situation in the town of Calistoga, I find no justification whatsoever for the duplication by the Napa Valley Electric Company of the present lighting system within the town. I accordingly recommend that this portion of the application be denied.

I shall now direct my attention to that portion of the territory between Bale Station and the northern boundary of Napa County which lies outside of the corporate limits of the town of Calistoga. A portion of this territory lies south of Calistoga, between the town and Bale Station, and another portion lies north of the town, between the town limits and the northerly boundary of the county. The evidence shows that while there are quite a number of customers in this territory who desire electric energy, only three are being served by the Calistoga Electric Company south of the town. A map of this territory submitted at the hearing by Mr. Kinney, acting on behalf of the Calistoga Electric Company, shows a possibility of at least thirty prospects in the unincorporated territory. While some of these prospects probably will not materialize, the testimony, nevertheless, shows that quite a number of people residing in this territory have demanded service from the Calistoga Electric Company, but that they have failed to secure such service. The Calistoga Electric Company claims that at the rate which it is now paying for its electric energy, it will be financially impossible to serve the territory, and this contention seems to have considerable merit.

On the other hand, however, Mr. D. L. Beard, president of the Napa Valley Electric Company, stated that if his company were authorized to enter this territory, even if it be denied the right to enter the town of Calistoga, his company would, at its own cost, construct extensions to all persons in this territory asking for service, and that it would serve these people at its regular rates. That some of these extensions would for a considerable time be unprofitable seems clear. The Calistoga Electric Company is only a small company and seems less able to bear the burden of these extensions than the larger and more prosperous Napa Valley Electric Company. Whatever the reason for the failure of the Calistoga Electric Company to extend may have been, the fact remains that the company has not extended to persons demanding electric energy in the territory outside of the town of Calistoga, with three or four exceptions, and that the Napa Valley Electric Company offers to serve all of these people without cost for extensions. Under these circumstances, I am of the opinion that the interests of the people residing in this territory will be subserved by authorizing the Napa Valley Electric Company to enter the territory and to distribute electric energy on the terms agreed to by the company at the hearing.

While this Commission has no power to compel the Calistoga Electric Company to sell to the Napa Valley Electric Company the former company's transmission line and poles between Bale Station and the southerly limits of the town of Calistoga, it occurs to me that such an arrangement would be mutually advantageous. It would result in returning to the Calistoga Electric Company the amount of money which it has invested in this line and of relieving it of any obligation which it may have to serve any portion of the unincorporated territory south of Calistoga, and would also relieve that company of the burden of the line losses which it at present sustains between Bale Station and the southerly limits of the town of Calistoga. The arrangement would be advantageous to the Napa Valley Electric Company because it would enable that company to use its existing right of way and to serve intending customers promptly from the existing line. It would be advantageous from the public point of view, because it would prevent the unnecessary duplication of the transmission line between Bale Station and the southerly limits of the town of Calistoga.

The fact that the Napa Valley Electric Company has been authorized to serve the unincorporated territory outside of the town of Calistoga is not to be construed as depriving the Calistoga Electric Company of the right to serve the same territory if the company desires so to do.

While recommending that the Napa Valley Electric Company be authorized to serve the unincorporated territory outside of the town

of Calistoga, I also recommend that a time limit be set to the time within which the Napa Valley Electric Company may avail itself of the right thus conferred, and that unless the company avails itself of the authority so granted within a reasonable time, this Commission's authorization should thereupon, without further proceedings, terminate.

In Case No. 555, *Downs vs. Calistoga Electric Company*, also decided to-day, attention is drawn to the demand of Downs and two of his neighbors for electric service. In the decision in that case, the Commission draws attention to the promise of the Napa Valley Electric Company, and suggests that Downs confer with that company to secure an extension to his property. I do not believe it reasonable to have Mr. Downs look to the Napa Valley Electric Company for service unless his right to such service is to be determined within a reasonable time. I accordingly recommend that the Commission's authority in this case to serve the unincorporated territory shall be conditioned upon the construction of an extension to serve Downs, if he desires the service from Napa Valley Electric Company, and his two neighbors, if they also desire such service, within two months from the date of this order.

I submit herewith the following form of order:

**ORDER.**

Napa Valley Electric Company having applied to this Commission for a certificate that the present and future public convenience and necessity require or will require the construction by said company of its electric distribution system into that portion of Napa County which lies in the valley north of Bale Station, including the town of Calistoga, and the Calistoga Electric Company having filed its protest against the granting of said application, and a public hearing having been held, and the Commission finding that the present or future public convenience and necessity do not require and will not require such construction within the town of Calistoga, but that the present and future public convenience and necessity do require and will require such construction in the unincorporated territory outside of the town of Calistoga, but only on the conditions hereinafter specified:

*It is hereby ordered* as follows:

1. The application of the Napa Valley Electric Corporation, in so far as it refers to the territory within the town of Calistoga, is hereby denied.

2. The Commission hereby declares that the present and future public convenience and necessity require, and will require, the extension of the distribution system of the Napa Valley Electric Company into the valley north of Bale Station to the northerly limits of the county of Napa, except the territory within the town of Calistoga, but only on the following conditions and not otherwise, to wit:

(a) Napa Valley Electric Company shall, at its own expense, construct the necessary extensions and shall, at its regular rates, serve persons within said territory desiring the service of electric energy from said company.

(b) If written demand for the service of electric energy is made upon the Napa Valley Electric Company by Downs, Davis or Tucker, residing near the Southern Pacific Company's station of Dunnaweal, and if the extension as so requested is not made within two months from the date of such demand, the authority herein given shall without further proceeding cease, and the Napa Valley Electric Company shall have no right until the further order of this Commission to make any farther extensions in said territory or to exercise any of the rights and privileges hereby conferred.

3. The authority hereby conferred is subject to such further order or orders as this Commission may from time to time consider reasonable in the premises.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 31st day of March, 1914.

---

DECISION No. 1394.

IN THE MATTER OF THE APPLICATION OF THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING IT TO EXECUTE ITS PROMISSORY NOTE OR NOTES IN THE AGGREGATE AMOUNT OF NINE THOUSAND DOLLARS.

---

Application No. 1008.

*Decided April 1, 1911.*

---

*Held.* That the Commission's consent is not necessary to the issuance of one-day promissory notes; application dismissed without prejudice.

*George F. Gill, for Applicant.*

---

REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

This is an application by the Tulare Home Telephone and Telegraph Company, owning and operating a telephone system as a public utility in Tulare and adjacent territory, in Tulare County, California, for

authority to execute its one-day unsecured note or notes in the amount of \$9,000.00, which money is to be used for the purpose of making betterments and additions to its system.

The notes, as stated, are to be one-day notes. Section 52 of the Public Utilities Act, while providing in part that no public utility may issue stocks and stock certificates, bonds, notes or other evidences of indebtedness, payable at periods of more than twelve months after the date thereof, without having first secured from this Commission an order authorizing such issue, continues as follows:

“A public utility may issue notes, for proper purposes and not in violation of any provision of this act or any other act, payable at periods of not more than twelve months after the date of issuance of the same, without the consent of the Commission, but no such note shall, in whole or in part, be refunded by any issue of stocks or stock certificates, or of bonds, notes of any term or character or any other evidence of indebtedness, without the consent of the Commission.”

In its General Order No. 35, approved July 30, 1913, this Commission made the following ruling with reference to demand notes:

“As a demand note is payable at any time when demand is made, which time may be more than twelve months after its execution, such note will be considered as being a note payable at a period of more than twelve months after the date of issuance of the same.”

The reasoning which prompted this Commission to reach the foregoing conclusion with reference to a demand note does not apply to a one-day note. A one-day note is payable at the end of a specified time, which time is “not more than twelve months after the date of issuance of the same.” Accordingly, a public utility may originally issue such note for proper purposes and not in violation of any provision of the Public Utilities Act, without having first secured the consent of this Commission. As it is evident that the purposes for which the proceeds of these notes are to be used in the present proceeding are proper, the Commission’s consent to the issue of the notes is not necessary.

Testimony introduced at the hearing of the application in this proceeding raises some question as to whether applicant’s rates are not higher than they should be. This matter, however, is not directly involved in the present proceeding and no decision will be reached thereon in this proceeding.

I submit herewith the following form of order:

**ORDER.**

The Tulare Home Telephone and Telegraph Company having applied to this Commission, under the provisions of section 52 of the Public Utilities Act, for an order authorizing it to execute its one-day promissory note or notes, in the aggregate sum of nine thousand dollars

(\$9,000) for the purpose of securing funds for making additions and betterments to its telephone system, and a public hearing having been held on said application, and it appearing that said note or notes are to be issued for the definite period of one day, and that under the provisions of section 52 of the Public Utilities Act this Commission's consent is not necessary to the issue of said notes,

*It is hereby ordered* that said application be and the same is hereby dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 1st day of April, 1914.

---

Decisions Nos. 1395 and 1396, grade crossings; not printed. See end of volume.

DECISION No. 1397.

G. W. MORDECAI ET AL.

*vs.*

THE MADERA CANAL AND IRRIGATION COMPANY AND  
C. S. MOSES.

Case No. 418.

IN THE MATTER OF THE INVESTIGATION INTO THE SERVICE, EQUIPMENT AND FACILITIES OF MADERA CANAL AND IRRIGATION COMPANY ON THE COMMISSION'S OWN INITIATIVE.

---

Case No. 498.

*Decided April 3, 1914.*

---

Supplemental order approving rules and regulations filed for the approval of Commission by defendant in accordance with original order of the Commission in the above entitled proceeding.

REPORT OF THE COMMISSION.

SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

In its order rendered on December 5, 1913, in the above entitled proceedings, this Commission, among other matters, provided as follows:

"Madera Canal and Irrigation Company is hereby directed to distribute its waters ratably and fairly among all persons entitled thereto and to make and enforce such rules and regulations and

take such other steps as may be necessary to this end, including the institution of an efficient system of measuring the water distributed, the taking of the necessary steps to prevent the taking of water by persons not entitled thereto, and the hiring of enough competent employees to enforce the company's proper rules and regulations."

In pursuance of this order, the Madera Canal and Irrigation Company has prepared tentative rules and regulations, which have been submitted to this Commission. The Commission's hydraulic department has checked them over and has made a number of changes, which have been embodied by the company in revised rules and regulations. The hydraulic department now reports that the rules and regulations in their revised form are satisfactory.

I find a number of matters in these proposed rules and regulations which may require alterations hereafter, but believe that the rules and regulations as proposed are in general satisfactory and that the Madera Canal and Irrigation Company should be authorized to put them into effect, subject, of course, to the right of this Commission hereafter, from time to time, to make such changes or alterations therein as may be found to be just and reasonable. I accordingly recommend that the Madera Canal and Irrigation Company be authorized by supplemental order to establish these rules and regulations at once.

I submit herewith the following form of supplemental order:

**SUPPLEMENTAL ORDER.**

*It is hereby ordered* that Madera Canal and Irrigation Company be and the same is hereby authorized to establish and enforce the following rules and regulations governing the service of water to its customers, said rules and regulations to become effective immediately:

**RULES AND REGULATIONS.**

**Opening of Season.**

1. The irrigation season will open as soon as there are ten second feet of water flowing in the main canal, and water users are advised to prepare their lands early in the season in order that all the first waters may be utilized.

**Definition of Pro Rata and Rotation Delivery.**

2. Water will be delivered to water users on a "pro rata" or rotation basis depending upon the quantity available. A "pro rata" delivery means a simultaneous flow available at a point nearest on the company's system, for use of each and every consumer, in an exact proportion of the total amount available, based on the consumer's right to receive the same. This method may be applied to all or a part of the system. By "rotation" is meant that method of delivery whereby the water is carried through a portion of the distribution system for a portion of the time, in larger amount than otherwise available, the aim being to deliver to each consumer an exact proportion as by "prorating."

**Pro Rata Delivery.**

3. When sufficient water is available to supply all demands simultaneously it will be distributed at all division points in a proportional part of the total flow available, allowing for seepage loss, this proportion being based upon the acreage and rights to demand service upon each part of the system. That is, the total that it is determined can be delivered from the supply will be ratably divided.

**Rotation Delivery.**

4. When the supply available is not sufficient to satisfy fully all demands simultaneously, water may be delivered in rotation to all parts of the system. So far as possible a forecast will be made of the available water supply, and rotation shall be so planned as to provide as full a head as possible in each canal during the period of flow, which period will vary in accordance with the amount of the total supply and rightful demands upon it, and as many of the laterals will be served at one time as may be feasible.

**Duty of Water.**

5. The company shall have the right to limit the quantity of water delivered, to the rate of one second foot per six hours for each acre irrigated.

**Rotation of Service in Cycles.**

6. Between consumers along the main canal and distributaries delivery shall be by rotation, and as nearly as practicable each individual will be given a ratable service; provided this has not been done the rotation shall continue in cycles—that is, those receiving a proportionately deficient supply in the preceding season, shall be served in precedence to others during the following season. In no case will water be furnished upon or to lands, unless the same are under a proper system of ditches, checks, levees, gates, etc.

**Notice of Water Delivery.**

7. The company will give notice of the beginning and duration of each run of water as far in advance as possible for the guidance of water users and will notify individuals in advance when the water will be available during that run.

**Measurement of Water.**

8. The company will establish gauging stations and other practicable methods of measurement at suitable points on the main canal and laterals in sufficient number to arrive at a close approximation of the amounts of water delivered at all points of the system of the company. Records will be made of the flow passing such points daily, or as often as practicable and from such records the amounts of water delivered to individuals will be determined and carried to totals by months. In these computations the seepage loss will be allowed for, when measure-



ment is made at a point other than the point of delivery. Each interested party will be informed, upon request, of the amounts of water he has received.

**Application for Water.**

9. Written application for water shall be made to the company on the blank forms to be furnished by it. These applications shall be filed in the company's office at Madera, not later than January 15th of each year and shall give the location of the land to be irrigated, acreage, and crop. As it is upon these applications that delivery schedules are based, by failure to make such application within the time specified, the consumer forfeits his right to water during that season, unless same can be furnished him without disarranging the schedule, or causing shortage of water to those entitled to it. During 1914 such applications shall be filed by May 1st.

**Establishment of Schedules.**

10. The superintendent of the canal system will establish a schedule which will be followed in the delivery of water to consumers and will establish the points and methods of measurement of water, obtaining approval of these matters from the Railroad Commission.

**Deviations from Schedules.**

11. Deviation from the established schedule will be allowed only by previous arrangement with the canal superintendent and when the efficiency of the system is not thereby seriously impaired. When a consumer has not used the water when it is available during any period, nor arranged an exchange with another user, he may be supplied an amount to make up the shortage during a subsequent period, provided there is more water available than sufficient to supply all demands.

**Water Charged For.**

12. To insure an equal distribution of water, and for the common protection of all water users, any water allowed to run upon land not included in this application, or to waste by reason of imperfect ditches, checks or levees, or insufficient number of checks, or otherwise, will be charged as used for irrigation. The consumer applying for water agrees that he will keep his ditches clean, in good repair and condition to receive a full head of water from the canal system; and the superintendent may refuse water upon his failure to do so.

**Use and Waste of Water.**

13. A water user must use water throughout the period of delivery continuously day and night, and must not permit use on land other than that described in his application, nor allow any reasonably avoidable losses.

**Control of Gates.**

14. The control of all structures on the company's system is under the management of the company, and no water user is allowed to change or interfere with the same except by special permission. A violation of this rule is a misdemeanor.

**Care of Gates.**

15. Water users at the end of the lateral completing irrigation must notify the company in time to shut off the water at the head, and all water users shall use all reasonable means to prevent the theft of bars.

**Patrol of System.**

16. There will be a sufficient number of ditch tenders employed to adequately patrol the entire system operating; and it will be planned to visit once daily practically every point where water is running.

**Duty of Ditch Tenders.**

17. It will be the duty of the ditch tenders to follow strictly the instructions of the superintendent in the delivery of water to the various consumers; to make gauge and weir or other readings at the established measuring points; to guard the property of the company; to see that water is not wasted; and to report to the company superintendent any dereliction or trespasses by consumers.

**Access to Ditches.**

18. The employees of the company shall have free access at all times to any part of the distribution system on or crossing the land of individual consumers for the purpose of repairs, measurements of water, or any other necessary details of operation.

**Advance Payments.**

19. All water users delinquent or not possessing satisfactory credit or contract with the company, must pay for water in advance.

**Assistance of Water Users.**

20. Consumers are expected to do everything possible to prevent waste of water or damage, and to effect a ratable and equitable distribution of the water to those entitled to it.

**Limitation of Irrigated Area.**

21. The lands to which this company may furnish water is limited by the following clause in the order of the Railroad Commission: "Madera Canal and Irrigation Company is hereby directed to furnish no water to lands not heretofore actually irrigated from its system or under contracts on which payments have not been kept up, until this portion of this order is vacated or modified by this Commission."

22. All persons violating these rules will be dealt with as provided by law.

## WATER RATES ON CONTRACT LANDS.

Until the existing established rates may be changed by order of the Railroad Commission or other proper authority, any person who may take at any time upon any part of his land covered by water contract, water from said system in excess of the quantity specified therein, shall pay said company therefor, in addition to the \$1.00 per acre per annum, specified in such contract, the following rates and sums, to wit:

(1) For each acre upon which such excess water may be used or taken the first time during each irrigation season the sum of thirty cents, being the rate of \$1.30 per acre fixed by Ordinance No. 50 of the board of supervisors, less the \$1.00 per acre per annum, to be paid under the terms and conditions of such water contract.

(2) For each subsequent irrigation, and for each acre upon which such excess water may be taken or used after such first irrigation, during such irrigation season, the sum of fifty cents, being the rate fixed by such ordinance for subsequent irrigations after the first irrigation during the irrigation season.

(3) The taking or using of such excess water shall be deemed and considered an agreement on the part of such water user to pay said company said sums, together with interest on such sums from the respective dates that such excess water may be taken or used, at the rate of seven per cent per annum; and the company shall have the right to demand payment in advance for any excess water.

## WATER RATES ON LANDS NOT COVERED BY WATER CONTRACTS.

Until the existing established rates fixed by Ordinance No. 50 of the board of supervisors may be changed by the Railroad Commission or other proper authority, the rates on lands that are not covered by such water contracts shall be as follows, to wit: \$1.30 per acre for the first irrigation, and 50 cents per acre for each subsequent irrigation, during each of such irrigation seasons; and the company shall have the right to demand payment in advance for such water according to such rates; and the taking and using of such water for such purposes shall be deemed and considered an agreement on the part of the water users, using or taking the same, to pay said company said rates and sums, together with interest on such sums from the respective dates that such water may be so taken or used, at the rate of seven per cent per annum.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 3d day of April, 1914.

## DECISION No. 1398.

IN THE MATTER OF THE APPLICATION OF VENTURA COUNTY POWER COMPANY FOR AUTHORITY TO ISSUE NOTES OF THE FACE VALUE OF TWO HUNDRED THOUSAND DOLLARS.

---

Application No. 1028.

*Decided April 3, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER OF DISMISSAL.

Ventura County Power Company having, on April 2, 1914, made written request to this Commission that the above entitled application be dismissed,

*It is hereby ordered* that the above entitled application be, and the same is, hereby dismissed.

By order of the Railroad Commission.

Dated at San Francisco, California, this 3d day of April, 1914.

---

## DECISION No. 1399.

## LENNOX IMPROVEMENT ASSOCIATION

*vs.*

## LOS ANGELES RAILWAY COMPANY AND LOS ANGELES RAILWAY CORPORATION.

---

Case No. 509.

*Decided April 4, 1911.*

---

Complaint alleges that the rates of defendant are exorbitant and discriminatory, and that the service is unsatisfactory.

*Held.* That the rates and service of defendant between Lennox and Los Angeles are just and reasonable, with the exception of its 30-ride commutation rate of \$3.30; that a just rate for this commutation service is \$2.25, which rate is ordered into effect within twenty days.

*Robert Young*, for Complainant.

*S. M. Haskins*, for Defendant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

In this case complainant, Lennox Improvement Association, states two causes of action against the Los Angeles Railway Company and Los

Angeles Railway Corporation: *first*, that the cash fares and commutation fares between the city of Los Angeles and Lennox (Bellevue avenue) are discriminatory and excessive; and, *second*, that the car service is not adequate, particularly in the early morning hours and late in the afternoon when passengers are traveling to and from employment or places of business.

I shall first consider the complaint with reference to fares.

In the following table are set forth the one-way, round-trip and commutation fares charged by defendants:

Table of One-way, Round-trip and Commutation Fares.

Miles	Between Los Angeles (Plaza) and	One way, Cents.	Round trip, Cents.	Commutation							
				10-ride		30-ride		46-ride		52-ride	
				Rate.	Per ride, Cents.	Rate.	Per ride, Cents.	Rate.	Per ride, Cents.	Rate.	Per ride, Cents.
<i>Eagle Rock line.</i>											
7.54	Glassell Road (north city limit)	5									
9.24	Eagle Rock (Townsend avenue)	10				\$1 50	5				
<i>Homeward avenue line.</i>											
6	Manchester avenue (south city limit)	5									
7.8	Homeward avenue	10		\$0 70	7	1 50	5	\$2 95	6.4	\$3 35	6.4
8.5	Edna street	15	25	1 10	11	3 15	10.5	3 60	7.8	4 15	8
<i>Vermont Heights line.</i>											
6.2	Manchester avenue	5									
8	Vermont Heights	10		90	9	1 50	5	3 30	7.2	3 75	7.2
9	West Athens	15	25	1 10	11	3 15	10.5	3 60	7.8	4 15	8
<i>Inglewood line.</i>											
7	Fifty-fourth street	5									
10.45	Inglewood (Arbor Vitae)	10		1 00	10	1 50	5	3 60	7.8	4 00	7.7
11	Lockhart	15		1 10	11	3 30	11	3 95	8.6	4 50	8.6
12	Lennox (Bellevue)	15		1 10	11	3 30	11	4 05	8.8	4 60	8.8
12.75	Hawthorne	15		1 25	12.5	3 75	12.5	4 30	9.3	4 75	9.1

The same time limit is allowed on all tickets of like class via the different lines, except that a thirty-day limit is given on 30-ride family commutation tickets between Los Angeles and Eagle Rock, Inglewood, Homeward avenue, Vermont Heights, while a ninety-day limit is given these tickets to all other points.

This Commission has several times considered the reasonableness of the fares charged from points without to points within the city of Los Angeles. In Case No. 337, *City of Inglewood vs. Los Angeles Railway Company and Los Angeles Railway Corporation*, the fares between Inglewood and Los Angeles were under attack. Decision in this case reduced the one-way fare from 15 cents to 10 cents and the 30-ride family commutation fare from \$3.00 to \$1.50 on the grounds that there was a locality discrimination in favor of Eagle Rock and against Inglewood. In Case No. 370, *P. A. Froelich vs. Los Angeles Railway Corporation*, the commutation fare between Vermont Heights and Los Angeles was reduced from \$2.70 to \$1.50 for the same reason that there was a locality discrimination in favor of Eagle Rock and against Vermont Heights.

In connection with both of these decisions the Commission made a careful study of the distances from Los Angeles to the suburban points now having the 10-cent single fare and the \$1.50 30-ride family commutation fare. The situation is best illustrated by quoting from those decisions:

*Case No. 337, City of Inglewood:*

The defendants have drawn a circle of 6.2 miles from Sixth and Main streets, Los Angeles, which latter point is claimed to be the center of population, and within this circle a fare of 5 cents is charged as a general proposition. The one exception to the rule that no fare of 5 cents extends beyond the circle drawn 6.2 miles from Sixth and Main streets, Los Angeles, is that line operating to a point beyond the city limits of Los Angeles known as Annandale, and between this point and the city of Los Angeles a fare of 5 cents is charged without transfer privileges, which is practically equivalent to the commutation rates between Los Angeles and Eagle Rock.

According to the Official Transportation and City Map of Los Angeles, it is interesting to note that Twelfth and Main streets has been selected as the center of population and that a circle radiating around this assumed center a distance of eight miles therefrom goes through the city of Inglewood and crosses the line of the defendant at Arbor Vitæ avenue. This same line passes through Eagle Rock a short distance beyond the terminus of Eagle Rock line of the defendants at Townsend avenue and Eagle Rock road, and also a short distance beyond Buena Vista Terrace and Eagle Rock road. Annandale.

*Case No. 370, P. A. Froelich:*

Drawing a circle from either the assumed center of population of Sixth and Main streets or Twelfth and Main streets, Los Angeles, it will be found that the distances are approximately the same to Eagle Rock, Annandale, Inglewood, and Vermont Heights. We know of no just reason why the defendant should grant lower commutation rates to Eagle Rock and one-way fare from Annandale

without transfer privileges, which are equivalent to the commutation rates between Eagle Rock and Los Angeles, on any lower basis than are in effect between Vermont Heights and Los Angeles.

The single fares of defendants to suburban points are arranged in 5-cent zones, arbitrarily established, and it is to be noted that the mileage in the zones on the Inglewood line are now somewhat longer than those on other parts of the system—the distance in the first zone, Fifty-fourth and Mesa to Arbor Vitæ, being 3.45 miles and in the second zone, Arbor Vitæ to the end of the line at Hawthorne, 2.25 miles.

Attorney for complainant maintained very strongly that because the fare in the street-car territory is 5 cents from Glassell road to Fifty-fourth and Mesa, a distance of 14.49 miles, that the fare of 10 cents for the two zones from Fifty-fourth and Mesa through Inglewood and Lennox to the end of the line at Hawthorne, a distance of 5.70 miles, was excessive and unreasonable. It is specially pleaded that the territory from Arbor Vitæ avenue (Inglewood) to Bellevue avenue (Lennox), 1.50 miles, should be added to the zone beginning at Fifty-fourth and Mesa, thus creating one zone and reducing the single fare between Lennox and Los Angeles from 15 to 10 cents. The district, Glassell road to Fifty-fourth and Mesa, is street-car territory where the defendants receive the greater part of their revenue from intermediate passengers who are continually getting on and off the cars and ride but short distances. The distance between extreme points in 5 cent street-car territory is of small importance, for but few passengers make the entire trip either for business or pleasure, and it certainly would not be logical to employ a long mileage via a street-car line as a basis for rates to suburban points. I do not agree with complainant's attorney that the 5 cent fare beginning at Fifty-fourth and Mesa should be extended 1.50 miles and made to include Lennox. This would establish a suburban fare of 5 cents for a distance of 4.95 miles, or practically 1 cent per mile. Such a rate has not been justified, either by evidence or briefs, and should be denied.

It is apparent, however, that the 30-ride family commutation fare between Los Angeles and Lennox is excessive and unreasonable. This fare should bear the same relation to the single trip fare as does the 30-ride commutation fare sold to Eagle Rock, Homeward avenue, Vermont Heights and Inglewood. The record shows no peculiar transportation conditions justifying the wide difference in the fare now existing. I find as a fact that the present 30-ride family commutation fare of \$3.30 between Lennox and Los Angeles is unreasonable and excessive and that a reasonable fare is \$2.25 for a 30-ride family commutation ticket good for thirty days, without transfer privileges.

I also find as a fact, after an examination of the passenger tariffs of defendants, which were by stipulation admitted in evidence, that a



round-trip fare of 25 cents should be established between Lennox and Los Angeles.

I fail to find any satisfactory evidence sustaining complaint as to defendant's rules governing fares for children. Tariffs now provide for children, five years and over, but under twelve years of age, one half of the adult single or round-trip fare, adding sufficient to make the half fare end in "0" or "5." This rule is almost universally in effect in connection with suburban and steam roads, and appears to be fair. The conclusions reached with reference to round-trip and 30-ride family commutation fares effect a reduction of children's individual round-trip fares from 20 cents to 15 cents, and a child can, in future, use the 30-ride family ticket instead of the 46-ride ticket, thus reducing the cost from .088 cents to .075 cents per ride. I am, therefore, convinced that the rule should not be changed.

With reference to service, the issues were narrowed to the single question of overcrowding of cars during certain hours of the day. At the hearing, defendants testified to the effect that they had made a careful study of the situation and presented tabulations showing traffic north and south bound at Arbor Vitæ, Fifty-fourth street, and at Jefferson and Grand. These tabulations show the number of cars, number of seats, and number of passengers passing the points specified between the hours of 6 a. m. and 12.30 a. m. on January 7th, 8th and 9th, 1914. Practically all overcrowding occurs north of Fifty-fourth street and only between the hours of 6 and 9 a. m. and 5 and 6.30 p. m. People travel during these hours to and from their work, with the result that the defendants find it extremely difficult to transport their patrons without overcrowding the cars. The situation is no different here than in every city in the country, and is one which is hard to overcome. Defendants introduced testimony to the effect that service had recently been increased 35 per cent and that larger cars were being constructed which would further increase the seating capacity 18 per cent, thus making a total increase of 53 per cent above the service formerly in effect. I am satisfied defendants are making every effort to render proper service, and do not believe any order with reference to car schedules should be entered at this time.

I recommend the following form of order:

**ORDER.**

Lennox Improvement Association having filed with this Commission a complaint against the cash fares, commutation fares and car service, established and maintained by the defendants, Los Angeles Railway Company and Los Angeles Railway Corporation, between Lennox and Los Angeles, and a full investigation and hearing of the matters involved having been had, and the Commission being fully apprised in the premises, it is hereby found as a fact that the rate or fare charged

by defendant for the transportation of passengers between Lennox and the city of Los Angeles of \$3.30 for 30-ride family commutation tickets is an unjust and unreasonable rate or fare for such service, and that the just and reasonable rates or fares for such service by the defendant between such points, are the following:

One way -----	15 cents
Round trip -----	25 cents
10-ride -----	\$1 10
30-ride -----	\$2 25

Basing its order upon the finding of fact and the further findings of fact set out in the opinion preceding this order,

*It is hereby ordered* by the Railroad Commission of the State of California that the Los Angeles Railway Company and Los Angeles Railway Corporation publish and file, in accordance with the rules of this Commission, within twenty days from the date of this order, tariffs setting out the rates and fares herein found to be just and reasonable.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of April, 1914.

---

DECISION No. 1400.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF VENTURA COUNTY RAILWAY COMPANY.

---

Case No. 148.

*Decided April 4, 1914.*

---

Investigation of motion of Commission to ascertain various elements entering into the value of respondent's property. Findings made only as to facts and not on the ultimate value of the property irrespective of the purposes for which the valuation is made. Terms defined.

*Findings of Fact:* (1) That the reproduction value of the operative physical property of respondent as of June 30, 1912, is the sum of \$307,866.39; (2) That the present value of the operative physical property of respondent as of June 30, 1912, is the sum of \$250,812.65.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This proceeding was brought on the Commission's own initiative for the purpose of ascertaining certain elements entering into the value of the property of the Ventura County Railway Company. Findings

of fact only are made, and it is not attempted to pass on the ultimate value of this property, irrespective of the purpose for which the value is to be ascertained.

Certain terms which are used in this valuation are defined as follows:

The term "original cost," means the actual expenditures, chargeable to capital account, in accordance with the classification of expenditures for road and equipment as prescribed by the Interstate Commerce Commission for steam roads, made by the railroad company for its operative property in the State of California, as of June 30, 1912.

The term "reproduction value," means the estimated cost in cash of acquiring the operative right of way and other real estate and of reproducing in the condition in which it was acquired the other physical property of the railroad company in the State of California, as of June 30, 1912, to which are added overhead expenditures for engineering, law, interest and commissions, and similar items.

The term "present value," means the "reproduction value," less the diminution in value of the physical elements of the property, due to use, age, obsolescence, inadequacy and other causes, plus appreciation where found. This might properly be called "depreciated reproduction value," and does not mean the ultimate fact of present value, as that term is ordinarily used.

In accordance with this Commission's order, dated October 24, 1911, the Ventura County Railway Company on February 1, 1913, filed with this Commission an inventory of its property in the State of California, together with an estimate of its original cost, reproduction value and present value, the final summary sheet of which is attached to this decision and marked "Exhibit A." On September 23, 1913, this Commission's engineering department submitted its detailed report in the above proceeding, and a copy of the final summary sheet, as presented on said day, is attached hereto and marked "Exhibit B." A hearing was held on November 24, 1913. The railroad company was represented by J. A. Driffill, vice-president and general manager, and F. T. Robson, of Sloan & Robson, the company's engineers. While the company did not enter into a formal contest against the Commission's engineering department's valuation, some objections were made against the methods used and the unit prices adopted, as will hereinafter appear.

#### 1. Organization, Construction and Operation.

The Ventura County Railway Company was incorporated under the laws of the State of California on the 5th day of May, 1911, by the American Beet Sugar Company, for the purpose of purchasing certain lines of railway of the old defunct Bakersfield and Ventura Railway Company, and for the further purpose of improving and extending

these lines to better serve the sugar company's interests. The railway company is controlled directly by ownership of all stock issued by the American Beet Sugar Company.

The original Bakersfield and Ventura Railway was built in 1905, and operated by its original promoters until May, 1908. On the latter date the road was sold at auction and bought in by the estate of the bondholders, which held securities in the sum of \$150,000.00. Between that date and May 5, 1911, the lines, consisting of approximately twenty-two miles of track, were operated by the heirs of said estate. Subsequent to May 5, 1911, the road has been controlled by the American Beet Sugar Company.

The railroad under consideration is a standard gauge steam railroad, with a main and branch line mileage lying entirely within the limits of Ventura County, and aggregating as follows:

Main line—Hueneme to McGrath Dump-----	10.38 miles
Branch line—Round Mountain Junction to Round Mountain--	6.19 miles
Sidings and spurs -----	7.03 miles
<hr/>	
Total -----	23.60 miles

The principal object of the road is to serve the interests of its parent, the American Beet Sugar Company, for which it hauls beets from the surrounding fields to the sugar factory in the vicinity of Oxnard, and pulp from the factory to stock-feeding pens. A regular daily service is maintained by gasoline motor cars between the town of Oxnard and Hueneme. Oxnard is a town of approximately 2,500 people, the chief industry of which is the refining of sugar in the large plant of the American Beet Sugar Company. Hueneme is a small residence district located west of Oxnard on the ocean waterfront. Outside of the towns of Oxnard and Hueneme the character of the country traversed by this line comprises level and fertile farming lands, lying between Oxnard and the Pacific Ocean. The land adjoining the road is highly developed in beets, alfalfa, beans, barley and garden products.

No physical difficulties of any kind were encountered in the construction of this road, and the roadbed, with only one or two exceptions, is made up entirely of shallow cuts and fills, while the alignment of the road, wherever possible, follows section or other land lines.

As noted above, the only regular service maintained by the company during the entire year operates between Oxnard and Hueneme, five miles, handling, by gasoline motor, a comparatively small number of passengers and a small amount of baggage and freight. Seventy-five per cent of the mileage is operated only during what is termed the "Campaign," which averages about one hundred days per year. This is the period during which the sugar factory is running day and night, and the road is kept busy hauling beets from the surrounding fields to

the plant and carrying away the pulp. Practically no other traffic is handled over this mileage, and it lies idle during the remainder of the year.

## 2. Stocks and Bonds.

The first annual report submitted to the Commission by this company is of date June 30, 1911, and no reliable information concerning the early operations of the old company is obtainable.

The authorized capital stock of the Ventura County Railway Company consists of 5,000 shares (all common) of a par value of \$100.00 each, 3,000 shares of which are outstanding. The entire outstanding stock is owned by the American Beet Sugar Company. The total cash subscriptions to stock, as of June 30, 1912, was \$125,000.00.

There is no funded debt in the shape of bonds. The only other evidence of indebtedness is a series of notes issued May 29, 1911, and maturing June 8, 1920, bearing interest at the rate of 5 per cent, for a total authorized par value of \$135,000.00, \$120,000.00 of which are outstanding. These notes represent deferred payments on the purchase price of the property acquired from the Bakersfield and Ventura Railway, and are secured by a first mortgage on all properties of the Ventura County Railway Company.

A recapitulation of the total capitalization of the company, as of June 30, 1912, the date of this valuation, shows therefore as follows:

Capital stock, total par value, outstanding.....	\$125,000 00
or \$7,543.00 per mile of main line and branch line (16.57 miles).	
Funded debt (notes), total par value, outstanding.....	120,000 00
or \$7,242.00 per mile of main line and branch line (16.57 miles).	
<hr/>	
Total par value, outstanding .....	\$245,000 00
or \$14,786.00 per mile of main line and branch line (16.57 miles).	

It might be well to point out that the total capitalization, as of June 30, 1913, is increased to \$210,000.00, total par value of outstanding stock, and reduced to \$105,000.00, total par value of outstanding notes, making a grand total of \$315,000.00.

## 3. Revenues and Expenses.

The principal item of traffic and revenue is the business done for the American Beet Sugar Company. Over 30 per cent of all freight tonnage handled consists of sugar beets, and an additional 64 per cent consists of what is classed by the company as "other manufactures," an item which principally represents supplies and machinery hauled for the sugar factory at Oxnard. At Oxnard this company has a physical connection with the Southern Pacific Company's track, and at Hueneme there are docking facilities for light-draft ocean-going vessels. and a large storage warehouse, all owned by other interests, but provid-

ing a small amount of freight for the railroad company—principally lumber and beans.

The revenues and expenses of the railroad company for the year ending June 30, 1912, appear in its annual report, on file with this Commission, as follows:

OPERATING REVENUES.	
Freight revenue .....	\$32,973 72
Passenger revenue .....	4,079 95
Mail revenue .....	266 35
Express revenue .....	125 50
Total revenue from transportation.....	\$37,445 52
Revenue from operation other than transportation.....	4 49
Total operating revenue.....	\$37,450 01
OPERATING EXPENSES.	
Maintenance of way and structures.....	\$19,665 01
Maintenance of equipment .....	10,675 10
Traffic expenses .....	183 49
Transportation expenses .....	11,586 59
General expenses .....	3,319 48
Total operating expenses .....	\$45,429 67

It will be noted that this showing results in a net operating deficit of \$7,979.66, with an operating ratio of 121.31 per cent. Adding to this loss the accrued interest on notes, the item of taxes and several smaller items, the gross loss for the fiscal year ending June 30, 1912, is increased to a total of \$16,740.52. It should be explained, however, that this loss is more apparent than real. The revenues of the company to a large extent depend upon the rates on beets. If these rates are low, the railroad company's revenues are low, while the profits to the sugar company are increased, and vice versa.

Below are the principal traffic figures for the year ending June 30, 1912, as taken from the company's annual report to the Commission:

PASSENGER TRAFFIC.	
Number of passengers carried earning revenue .....	33,154
Number of passengers carried one mile .....	154,503
Number of passengers carried one mile per mile of road.....	7,302
Average distance carried, in miles.....	4.66
Average amount received from each passenger in cents.....	12.306
Average receipts per passenger per mile, in cents.....	2.640
Passenger service train revenue, per mile of road.....	\$211.33
FREIGHT TRAFFIC.	
Number of tons carried earning revenue .....	208,958
Number of tons carried one mile .....	786,939
Number of tons carried one mile per mile of road.....	37,190
Average distance haul of one ton, in miles.....	3.77
Average receipts per ton mile, in cents.....	4.190
Freight revenue per mile of road.....	\$1,558.38

The above figures are based on an average mileage operated during the year of 21.16.

**4. Original Cost.**

The company in its appraisal furnished to the Commission shows an original cost of the road of \$222,450.00, as shown in "Exhibit A." This item, however, is not the "original cost" as defined heretofore. It appears that the books and records of the original organization are not in possession of the present company, and the original accounts, in fact, were not kept in accordance with the Interstate Commerce Commission's accounting regulations. As has already been stated, the present company purchased the then existing property in May, 1911, for the lump sum of \$150,000.00, which amount was partly paid in cash and partly in notes. The only attempt that was ever made to segregate this purchase price, as among the various classes of property, was an appraisal prepared at the time the road was acquired, and that segregation was not intended to conform to the Interstate Commerce Commission classification of accounts for road and equipment. Neither has the present company, whose auditing department is located in Denver, Colorado, kept its accounts entirely in accord with Interstate Commerce Commission regulations, and it is therefore impossible to arrive at the correct "original cost" as defined. Since the purchase by the present company of the original properties, considerable extension, reconstruction and betterment work has been done, the cost of which, of course, is not reflected in the \$150,000.00 purchase price. The statement of original cost, as submitted in the company's appraisal, is merely an estimate. For these reasons this Commission's engineering department's valuation contains no entries under the heading "Original Cost."

**5. Reproduction Value.**

The reproduction value estimate presented by the railroad company (see "Exhibit A") is \$345,389.00. The reproduction value as estimated in this Commission's engineering department's original valuation report (see "Exhibit B") is \$298,561.63, the difference being \$46,827.37. It will be shown hereafter that certain adjustments were made subsequent to the hearing in this case, in accordance with which a revised total for reproduction value was ascertained. This revised reproduction value for the entire road, as shown in "Exhibit C," aggregates \$307,866.39.

At the hearing held on November 24, 1913, certain objections were made against this Commission's engineering department's reproduction value estimate. I shall now comment on those items which the railroad company attacked, and on which I consider comment necessary.

The general objection was made by the company that the Commission's engineering department's valuation had not taken into consideration the local conditions as pertaining to this particular railroad. This contention is not well founded. The estimate of the cost to reproduce

this property was made in accordance with the definition of the term "reproduction value" given above, and the special physical conditions surrounding this road, and also the conditions under which it would have to be reproduced, were carefully considered.

In general, therefore, the method and unit prices adopted by the Commission's engineering department will be allowed to stand.

The criticism made by the company against the appraisal of the right of way can not be considered as being well founded, and no change is made in the valuation of this item. A careful investigation was made into real estate values. The market value at the time of the acquisition of the property, and also at the present time, was arrived at by interviews with persons familiar with its value, living in Oxnard and along the line of the railroad. As in all other cases of ascertaining the value of real estate of a public utility, recent sales of property in the vicinity and prices at which the land is now held by its owners were considered in determining the market value.

After the present market values of those lands immediately adjoining the right of way had been obtained, a certain percentage was added which would likely accrue were the railroad to buy these lands for right of way purposes. This percentage has been based upon the averages found to obtain on other recently constructed railroads in this State. It has been found that on nearly one thousand miles of recently acquired right of way the extra cost over market value incurred for securing land within incorporated cities was 25 per cent, and for rural and suburban lands approximately 50 per cent. These factors have been applied in this appraisal, resulting in an average right of way multiple of 1.45.

The reproduction value, as estimated, represents the amount of money which it would take at the present time to purchase all of the company's right of way and station grounds, on the assumption that none of it would be donated. This method always results in a large increase of reproduction value, as compared with actual original cost, including, as it does, whatever unearned increment may be included in the present value of such right of way. The proper place of the value of this unearned increment in the valuation of public utilities, presents a very difficult problem. As this valuation concerns itself with the finding of actual facts only, no opinion will be expressed as to whether or not in a rate-fixing inquiry it is just to the public to credit the utility with the present value of real estate in which only a portion of the actual value may have been actually invested by the utility.

No additional facts were developed at the hearing referred to which would warrant the Commission to revise the valuation of the company's right of way.



The treatment of the account "Grading" was objected to by the company for three principal reasons, namely, the unit prices, as adopted by the Commission's engineering department, were considered as being too low; a revision of the yardage quantities was asked for; and the claim was made that special grading work in a city street should have been given special consideration. The Commission's engineering department has taken up these three contentions and comes to the conclusion that it was impossible for the company to do its grading on the "two-way" basis, usually applicable in territory such as traversed by this company's line. The company's right of way is exceptionally narrow, being on the average only 25 feet wide, with cultivated sugar beet fields running up on both sides of the track to almost the edge of the roadbed. Under these conditions it was impossible to borrow material from the right of way to make fills. Whatever material was needed had to be hauled a considerable distance, which, for the entire line, amounts to an average haul of three miles. Five cents per yard mile for train haul has been added to the grading price, to cover this expense, but was not taken into consideration in the engineering department's original appraisal. It was further found that certain grading quantities should be added to account for the filling of low and swamp lands at the Hueneme water front, which quantities had originally been overlooked, both by the company's and the Commission's engineers.

In regard to the third objection, concerning grading in city streets, it was found that this road runs for a distance of 5,240 feet along "A" street, in the city of Oxnard. The actual cost of excavation work in city streets under like conditions was ascertained, and a revised figure of 45 cents per cubic yard is allowed for this item. Notwithstanding these adjustments, this Commission's engineering department's revised grading prices are still considerably below the company's estimated reproduction figure of an average of 50 cents per cubic yard. This price is undoubtedly too high, even after making all possible allowances for train haul and other unusual circumstances, of which, in fact, there are none. It might be said in explanation of the company's figures that they have considered this work as being done piecemeal, at different times, while the definition of "reproduction value," given above, calls for a reproduction of the entire line in one job.

Another objection was made by the company with reference to this Commission's engineering department's treatment of the "Rail" account. In this valuation the reproduction unit price for new rails is taken at \$39.00 per gross ton at California terminals. The company stated that the best price they could obtain was \$41.00 per gross ton f.o.b. California terminals. A great many actual cost data on Bessemer rail have been assembled by the Commission's engineering department,

and every one of these figures is in the neighborhood of \$39.00 per ton, with an average exactly at that figure, and I have no explanation to offer as to why this company should not be able to buy rail at the universal standard price, and can see no reason for changing the engineering department's cost figures for new Bessemer rail.

No other objections were made with reference to reproduction value on any other figures put down in the engineering department's original valuation.

The usual overhead allowances are made on the increase allowed in the reproduction value of grading, and the summary of all adjustments made under this heading appears as follows:

INCREASES IN REPRODUCTION VALUE.	
Grading -----	\$8,481 22
Engineering, 5 per cent on \$8,481.22-----	424 02
Law, 1 per cent on \$8,481.22-----	84 81
Interest and commissions, 3 per cent on \$8,990.10-----	269 70
Other expenditures, one half of 1 per cent on \$8,990.10-----	44 96
Total increase -----	\$9,304 71

After a careful consideration of all of the evidence in this case bearing on the matter of reproduction value, including the supplemental investigations which were conducted by this Commission's engineering department in line with the testimony developed at the hearing mentioned heretofore, I find the "reproduction value," as that term is herein defined, of the operative property of the Ventura County Railway Company, as of June 30, 1912, to be the sum of \$307,866.39.

#### 6. Present Value.

The United States Supreme Court has repeatedly emphasized the importance of determining a "present value," meaning a depreciated reproduction value, as distinguished from the "reproduction value," meaning the cost to reproduce, and this is most clearly set forth in the recent so-called Minnesota Rate Cases. It will not be necessary to here review the court's line of reasoning.

In this valuation the factor of depreciation has been taken into consideration, in all classes of property, the value of which lessens with age and through use, and the other factor of appreciation is equally considered wherever it may occur.

There is considerable difference between the estimates of present value, as arrived at by the company, and this Commission's engineering department. "Exhibit A," being the company's appraisal, shows a present value of \$306,892.00; "Exhibit B," being the engineering department's original valuation, shows the same item as \$235,069.00; being a difference of \$71,823.00. It will be noted by comparison of the individual accounts in "Exhibits A and B" that the principal

differences occur in the items right of way, grading and track accounts.

The revisions made in the engineering department's findings of present value will now be taken up in detail, as was done under the heading of "Reproduction Value."

(1) *Grading.* The additional grading allowances made under reproduction value are treated under present value as in the engineering department's original appraisal, *e. g.*, appreciation is allowed on the basis of the age of the roadbed, and wherever it has occurred.

(2) *Pile trestles.* The company considers the depreciation written off on a certain pile trestle excessive. It was ascertained that the piles are of gum (eucalyptus) instead of pine, as assumed in the original valuation, and that the deck of the structure was practically renewed in 1911. For these reasons the condition per cent of the structure was raised in accordance with details worked out by the engineering department from 50 to 68 per cent.

(3) *Rails.* The company also objects to our method of depreciation on rails. This question of rail depreciation has come up in connection with several of the appraisals made by this Commission, and it is perhaps well that I should state my views.

The companies as a rule claim that relay rail, as long as it is not actually scrap, is worth as much or nearly as much as new rail. I can not agree with this contention. If new rail costs \$39.00 per gross ton, and its average life is, say, forty years, at the end of which time it becomes scrap at \$14.00 per ton, it seems to me there must be many intermediate values between the \$39.00 and \$14.00 per ton. The fairest and most equitable method to ascertain these intermediate values seems to me to be on the basis of both the age and condition of the rail. If this method is used with common sense and applied to the particular road in question, I consider it superior to the other possible method by which the value of relay rail at any given time is supposed to be determined from inspection alone. I can see no reason why we should vary from our method in this case. The traffic on this road, however, is undoubtedly extremely light, so that the depreciation from wear will reach a minimum. I consider it fair, for this reason, to add, more or less arbitrarily, ten years to the life of this relay rail after it came unto this road. This addition results in an increase of the present value of the rail, as compared with reproduction value, in terms of condition per cent, of approximately 7 per cent.

(4) *Frogs and switches, track fastenings, track laying and surfacing.* The adjustment of present value in the account "Rail" affects also the three accounts just mentioned. The total present value of each of these accounts is raised in the same proportion as that of rail.

(5) *Overhead expenses.* The overhead expenses, as shown under the heading of "Reproduction Value," are carried over into the "Present Value" column in the Commission's engineering department's appraisal at 100 per cent.

The increases made under the heading "Present Value" are then summarized as follows:

Grading -----	\$9,210 48
Trestles -----	1,109 21
Rails -----	3,064 13
Frogs and switches -----	182 42
Track fastenings -----	541 77
Track laying and surfacing -----	812 10
Overhead -----	823 54
Total increase -----	<u>\$15,743 65</u>

With the above total increase added to the Commission's engineering department's original total, under this heading, I find in this case that the "present value," as hereinbefore defined, of the operative property of the Ventura County Railway Company, as of June 30, 1912, is the sum of \$250,812.65.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of California.

Dated at San Francisco, California, this 4th day of April, 1914.

## EXHIBIT "A."

Name of owner, Ventura County Railway Company; operating company, same; from Oxnard to Hueneme; miles main line track, 21; miles yard tracks, etc., 2.9; total, 23.9 miles.  
Valuation as of June 30, 1912: Ventura County Railway Co., field inspector and office compiler.

Class No.	Form No.	I. C. C. Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....		\$25,176 00		\$49,342 00
2	2	3	Real estate.....				
3	3	4	Grading.....	2,340 75	21,746 00		23,980 00
4	4	5	Tunnels.....				
5	5	6	Steel bridges and trusses.....				
6	6	6	Pile and frame trestles.....	3,191 36	6,574 22		5,836 00
7	7	6	Culverts.....	1,356 45	1,694 84		1,693 00
8	8	7	Ties.....	6,860 10	46,919 90		27,065 00
9	9	8	Rails.....	10,935 50	73,345 50		52,309 00
10	10	9	Frogs and switches.....	940 00	2,450 00		1,821 00
11	11	10	Track fastenings and other material.....	2,424 45	10,499 00		6,619 00
12	12	11	Ballast.....				
13	13	12	Tracklaying and surfacing.....	3,436 00	22,772 00		22,772 00
14	14	13	Roadway tools.....	264 30	337 30		240 00
15	15	14	Fencing right of way.....				
16	16	15	Crossings and signs.....	1,397 55	1,397 35		1,117 00
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....				
20	20	18	Station buildings and fixtures.....	720 00	720 00		648 00
21	21	18	Platforms, walks, paving and curb.....				
22	22	19	General office buildings and fixtures.....				
23	23	20	Shop buildings and engine houses.....	1,221 60	1,600 00		1,600 00
24	24	20	Transfer and turntables, choker pits, etc.....				
25	25	20	Miscellaneous shop buildings and structures.....		150 00		100 00
26	26	21	Shop machinery and tools.....	1,363 45	1,363 45		1,094 00
27	27	22	Water stations.....		800 00		500 00
28	28	23	Fuel stations.....		500 00		300 00
29	29	24	Grain elevators.....				
30	30	25	Storage warehouses.....				
31	31	26	Dock and wharf property.....				
32	32	27	Electric light plants.....				
33	33	28	Electric power plants.....				
34	34	29	Electric power transmission.....				
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....				
			Total classes 1 to 33, inclusive.....	\$36,471 31	\$218,045 56		\$197,068 00
37	---	1	Engineering, 3 per cent, 1 to 36, inclusive.....	1,094 14	6,541 37		5,911 00
38	37	32	Transportation of men and material.....				
39	38	33	Rent of equipment.....				
40	38	34	Repairs of equipment.....				
41	---	35	Earning and operating expenses during construction.....				
42	---	35A	Injuries to persons.....				
43	---	36	Cost of road purchased.....	89,094 00			
			Total classes 1 to 43, inclusive.....	\$126,659 00	\$224,587 00		\$202,949 00
44	39	37	Steam locomotives.....	10,503 00	9,000 00		8,000 00
45	---	38	Electric locomotives.....				
46	40	39	Passenger train cars.....	4,825 00	9,250 00		5,375 00
47	41	40	Freight train cars.....	69,224 00	67,334 00		58,065 00
48	42	41	Work equipment.....				
49	43	42	Floating equipment.....				
			Total classes 1 to 49, inclusive.....	\$211,211 00	\$310,171 00		\$275,489 00
50	---	43	Law expenses, $\frac{1}{2}$ per cent, classes 1 to 36, inclusive.....	182 00	1,090 00		985 00
51	44	41	Stationery and printing.....				
52	44	45	Insurance, general expenses at 1 per cent.....	305 00	2,180 00		1,970 00
53	45	46	Taxes.....				
			Total classes 1 to 53, inclusive.....	\$211,758 00	\$313,441 00		\$278,444 00
54	---	47	Interest and commission, 5 per cent, classes 1 to 53, inclusive.....	10,588 00	15,672 00		13,992 00
55	45	48	Other expenditures.....				
56	---	---	Contingencies, 5 per cent, classes 1 to 53, inclusive.....		15,672 00		13,992 00
57	46	---	Stores and supplies on hand for use in California.....	104 00	604 00		604 00
			Grand total.....	\$222,450 00	\$345,389 00		\$306,892 00
			Average per mile for main track.....	10,583 00	16,447 00		14,614 00

## EXHIBIT "B."

Name of owner, Ventura County Railway Company; operating company, same; division, Ventura County; from Hueneme, McGrath and Round Mountain Junction to Round Mountain; miles main line track, 19.38; miles second track, 6.19; miles yard track, etc., 7.03; total, 23.60 miles.

Valuation as of June 30, 1912; M. M. Cooke, field inspector and office compiler; date compiled, April 25, 1913.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....		\$26,662 02	100	\$26,662 02
2	2	3	Real estate.....				
3	3	4	Grading.....		7,584 29	109	8,259 19
4	4	5	Tunnels.....				
5	5	6	Steel bridges and trusses.....				
6	6	6	Pile and frame trestles.....		7,548 71	54	4,086 57
7	7	6	Culverts.....		1,666 31	73	1,218 34
8	8	7	Ties.....		55,977 58	33	29,716 25
9	9	8	Rails.....		50,576 59	81	41,164 14
10	10	9	Frogs and switches.....		2,587 55	75	1,939 37
11	11	10	Track fastenings and other material.....		7,840 83	60	4,711 59
12	12	11	Ballast.....				
13	13	12	Tracklaying and surfacing.....		21,437 54	66	14,192 78
14	14	13	Roadway tools.....		517 40	70	362 18
15	15	14	Fencing right of way.....				
16	16	15	Crossings and signs.....		1,730 83	80	1,384 68
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....				
20	20	18	Station buildings and fixtures.....		738 00	100	738 00
21	21	18	Platforms, walks, paving and curb.....		157 44	75	118 08
22	22	19	General office buildings and fixtures.....				
23	23	20	Shop buildings and engine houses.....		2,348 28	100	2,348 28
24	24	20	Transfer and turntables, cinder pits, etc.....				
25	25	20	Miscellaneous shop buildings and structures.....				
26	26	21	Shop machinery and tools.....		1,377 08	90	1,239 38
27	27	22	Water stations.....		829 00	50	410 00
28	28	23	Fuel stations.....		512 50	60	307 50
29	29	24	Grain elevators.....				
30	30	25	Storage warehouses.....				
31	31	26	Dock and wharf property.....				
32	32	27	Electric light plants.....				
33	33	28	Electric power plants.....				
34	34	29	Electric power transmission.....				
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....		746 20	63	473 96
37	---	1	Total classes 1 to 36, inclusive.....		\$190,827 15	73	\$139,332 31
38	37	32	Engineering, 5 per cent, 3 to 36, inclusive.....		8,208 25	100	8,208 25
39	38	33	Transportation of men and material.....				
40	38	34	Rent of equipment.....				
41	---	35	Repairs of equipment.....				
42	---	35	Earning and operating expenses during construction.....				
43	---	36	Injuries to persons.....				
44	39	37	Cost of road purchased.....				
45	---	38	Total classes 1 to 43, inclusive.....		\$199,035 40	74	\$147,540 56
46	40	39	Steam locomotives.....		10,756 50	90	9,680 85
47	41	40	Electric locomotives.....				
48	42	41	Passenger train cars.....		9,312 50	64	5,933 75
49	43	42	Freight train cars.....		68,007 34	89	60,493 95
50	---	43	Work equipment.....				
51	44	44	Floating equipment.....				
52	44	45	Total classes 1 to 49, inclusive.....		\$287,141 74	78	\$223,619 11
53	45	46	Law expenses, 1 per cent, classes 3 to 36, inclusive, of R. V. and P. V.....		1,641 65	100	1,641 65
54	---	47	Stationery and printing.....				
55	45	48	Insurance.....				
56	---	48	Taxes.....				
57	46	---	Total classes 1 to 53, inclusive.....		\$288,783 39	78	\$225,290 76
58	---	49	Interest and commission, 3 per cent, classes 3 to 53, inclusive, of R. V. and P. V.....		7,863 64	100	7,863 64
59	---	50	Other expenditures, $\frac{1}{2}$ of 1 per cent, 3 to 53, inclusive.....		1,310 60	100	1,310 60
60	---	51	Contingencies, 1 per cent, classes 1 to 53, inclusive.....				
61	---	52	Stores and supplies on hand for use in California.....		604 00	100	604 00
62	---	53	Grand total.....		\$296,561 63	79	\$235,069 00
63	---	54	Average per mile for main track.....		18,018 00	79	14,186 00

## EXHIBIT "C."

Owning company, Ventura County Railway Co.; operating company, same; operating division, entire line; valuation unit, entire line; county, Ventura.  
Valuation as of June 30, 1912, submitted with report of Richard Sachse, Acting Chief Engineer; date compiled, January, 1914; line first track, 10.38 miles; line second track, 6.19 miles; yard tracks, sidings, etc., 7.03 miles; total, 23.60 miles.

Class No.	Form No.	I. C. C. Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	1	1	Engineering, 5 per cent of classes 3 to 36, inclusive		\$8,632 32	100	\$8,632 32
1	1	2	Right of way and station grounds		26,662 02	100	26,662 02
2	2	3	Real estate				
3	3	4	Grading		16,065 51	109	17,469 67
4	4	5	Tunnels				
5	5	6	Steel bridges and trusses				
6	6	6	Pile and frame trestles		7,548 71	69	5,195 78
7	7	6	Culverts		1,006 31	73	1,218 34
8	8	7	Ties		55,977 58	33	29,716 25
9	9	8	Rails		60,576 59	88	44,228 27
10	10	9	Frogs and switches		2,587 55	82	2,121 79
11	11	10	Track fastenings and other material		7,840 83	67	5,253 36
12	12	11	Ballast				
13	13	12	Tracklaying and surfacing		21,435 54	70	15,004 88
14	14	13	Roadway tools		517 40	70	362 18
15	15	14	Fencing right of way		1,730 83	80	1,384 68
16	16	15	Crossings and signs				
17	17	16	Interlocking plants				
18	18	16	Signal apparatus				
19	19	17	Telegraph and telephone lines				
20	20	18	Station buildings and fixtures		738 00	100	738 00
21	21	18	Platforms, walks, paving and curb		157 44	75	113 08
22	22	19	General office buildings and fixtures				
23	23	20	Shop buildings and engine houses		2,348 28	100	2,348 28
24	24	20	Transfer and turntables, cinder pits, etc.		1,377 08	90	1,239 88
25	25	20	Miscellaneous shop buildings and structures		890 00	50	410 00
26	26	21	Shop machinery and tools		512 50	60	307 50
27	27	22	Water stations				
28	28	23	Fuel stations				
29	29	24	Grain elevators				
30	30	25	Storage warehouses				
31	31	26	Dock and wharf property				
32	32	27	Electric light plants				
33	33	28	Electric power plants				
34	34	29	Electric power transmission				
35	35	30	Gas producing plants				
36	36	31	Miscellaneous structures		746 20	63	473 36
37	37	32	Transportation of men and material				
38	38	33	Rent of equipment				
39	39	34	Repairs of equipment				
40	40	35	Earning and operating expenses during construction				
41	41	35	Injuries to persons				
42	42	36	Cost of road purchased				
43	43	37	Steam locomotives		10,756 50	90	9,680 85
44	44	38	Electric locomotives				
45	45	39	Passenger train cars		9,342 50	64	5,983 75
46	46	40	Freight train cars		68,007 34	89	60,493 95
47	47	41	Work equipment				
48	48	42	Floating equipment				
49	49	43	Law expenses, 1 per cent of classes 3 to 36, inclusive		1,726 46	100	1,726 46
50	50	44	Stationery and printing, covered by "Engineering"				
51	51	45	Insurance, covered by "Other expenses"				
52	52	46	Taxes, covered by "Other expenses"				
53	53	47	Interest and commission, 3 per cent of classes 3 to 53, inclusive		8,133 34	100	8,133 34
54	54	48	Other expenditures, $\frac{1}{2}$ of 1 per cent		1,355 56	100	1,355 56
55	55	46	Stores and supplies on hand for use in California		604 00	100	604 00
56	56	46	Grand total		\$307,866 39	81	\$250,812 65
57	57	46	Average per mile for main track		18,579 75	81	15,136 55
			Total "Road," I. C. C., classes 1 to 36		207,940 69	78	161,666 40
			Total "Equipment," I. C. C., classes 1 to 36		88,106 34	86	76,108 55
			Total "General expenses," I. C. C., classes 43 to 48		11,215 36	100	11,215 36

## DECISION No. 1401.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR RELIEF FROM THE PROVISIONS OF SECTION 21 OF ARTICLE XII OF THE CONSTITUTION OF CALIFORNIA RELATIVE TO LONG AND SHORT HAULS.

---

Case No. 214 (Application No. 3).

*Decided April 4, 1914.*

---

Application of the Southern Pacific Company for relief from the provisions of section 21 of article XII of the Constitution of California, or, if such application is denied to increase its fare 5 cents between San Francisco and points taking the San Francisco fare, on the one hand and Merced on the other, denied.

*George D. Squires, for Applicant.*

**REPORT OF THE COMMISSION.**

*ESHLEMAN, Commissioner.*

In its Application No. 3 of December 26, 1911, the Southern Pacific Company—Pacific System—asks for authority to continue to charge for the transportation of passengers and baggage a greater compensation as a through rate between San Francisco, on the one hand, and on the other Fresno, Tulare, Hanford and Bakersfield, than the aggregate of the intermediate fares to and from Merced, or alternately, authority is requested to advance the fares between San Francisco and points taking the San Francisco fare, as Oakland, Stock Yards, etc., on the one hand, and Merced on the other, by 5 cents, so that the aggregate of such intermediate fares would not be less than the present fare to the more distant points.

In justification of this application the Southern Pacific Company alleges that the fare between San Francisco and Merced was, on August 29, 1906, reduced to \$4.05 to meet the fare erroneously established by the Atchison, Topeka and Santa Fe Railway (Coast Lines) between the same points. The Atchison, Topeka and Santa Fe Railway Company (Coast Lines) in a similar application, likewise alleges that such an error was made by it in establishing the fare of \$4.05 from San Francisco to Merced and prays for similar relief. It is contended by the applicant that the proper basis for fares between San Francisco Bay points and San Joaquin Valley points was a combination of the fares to and from Lathrop, the junction of the San Joaquin Valley line with the San Francisco-Stockton line of the applicant, and that on such a basis the fare should have been \$4.10. It is urged that if the application is denied and the petitioner required to establish through fares equal to the sum of the locals to and from Merced, that a considerable



reduction in the revenue of the petitioner will be brought about unnecessarily, as no formal complaint has been made as to the reasonableness of any of the fares involved. It is further alleged that the fares which it is desired to continue are just and reasonable in and of themselves; also, that the fares which the applicant seeks to establish under the relief prayed for are likewise just and reasonable.

The provisions of section 21 of article XII of the constitution relating to through rates in excess of the aggregate of intermediate rates are prohibitory, and the Commission is not vested with any discretionary power in the application of this provision, as in the case of the long and short haul provision; therefore, it is necessary to consider in this application only the alternative application for permission to increase the intermediate fares to Merced.

The fact that a considerable reduction will probably result in the carrier's revenues, or that a large amount of tariff work involving considerable expense will be necessitated, if the through fares are reduced to the sums of the intermediate fares is no reason why the reduction should not be made, if the aggregate of the present intermediate fares would be a reasonable fare.

It appears obvious that if the fare of \$4.05 between San Francisco and Merced was established erroneously, there was ample time since August, 1906, in which to have corrected that fare and to have advanced it to the basis which it is stated was usually employed in making such fares, and that as a reason why the increase should now be permitted this contention should not carry much weight.

While it may be, as alleged, that the fare which the applicant seeks to increase is on a basis lower than that generally employed by the carrier, no evidence was submitted tending to establish such a basis as just and reasonable, or that it should apply in this particular case. In cases of this kind, where increases are sought, it is incumbent upon the applicant to show that the existing fares or rates are too low and thereby justify the increase. This the applicant has failed to do, and in my opinion the evidence is insufficient to warrant the Commission to authorize the increase prayed for.

I submit the following order:

#### ORDER.

Southern Pacific Company, a common carrier, having applied to this Commission for an order granting relief from the provisions of section 21, article XII of the constitution of California and permission to continue to charge for the transportation of passengers and baggage a greater compensation as a through rate between San Francisco, on the one hand, and Fresno, Tulare, Hanford and Bakersfield on the other, than the aggregate of the intermediate fares to and from Merced; or, in the event the Commission denies such permission, for authority to

advance the fares between San Francisco and points taking the San Francisco fare, such as Oakland, Stock Yards, etc., on the one hand, and Merced, on the other, five cents (5¢), so that the aggregate of such intermediate fares would not be less than the present fare to the more distant point; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the Southern Pacific Company has not justified its application for an increase, and has not justified the granting by this Commission of the relief asked for; and basing its order on the foregoing findings of fact,

*It is hereby ordered* that the above application be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of April, 1914.

---

DECISION No. 1402.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR RELIEF FROM THE PROVISIONS OF SECTION 21, ARTICLE XII OF THE CONSTITUTION OF CALIFORNIA, RELATING TO LONG AND SHORT HAULS.

---

Case No. 214. (Application No. 2.)

*Decided April 4, 1914.*

---

Application of the Southern Pacific Company to increase its present passenger rates 5 cents between Fresno and Goshen Junction, and to maintain a lower rate to Hanford, a more distant point, denied.

*George D. Squires, for Applicant.*

REPORT OF THE COMMISSION.

ESHLEMAN, *Commissioner.*

In its Application No. 2 of December 26, 1911, the Southern Pacific Company (Pacific System) asks for authority to continue to charge for the transportation of passengers and baggage a greater compensation as a through rate between Fresno and Bakersfield than the combination of fares on Goshen Junction, and to maintain similar adjustments, of which the foregoing is typical, between other points not spe-

cifically enumerated in the application. This application was amended by the Southern Pacific Company under date of April 10, 1912, and the original petition to maintain through fares in excess of the intermediate fares was withdrawn and in lieu thereof the Southern Pacific Company requests permission to advance the Fresno-Goshen Junction fare 5 cents and concurrently to maintain a lower fare to Hanford, a more distant point.

In support of its application, the Southern Pacific Company alleges that the fare from Fresno to Goshen Junction was reduced to 90 cents, which is less than 3 cents per mile, the usual basis in California on its line, so as not to exceed the fare between Fresno and Hanford between which points the applicant is forced to maintain the same rate as is maintained by the shorter and more direct line, the Atchison, Topeka and Santa Fe Railway Company, Coast Lines. The applicant alleges that the traffic between Fresno and Hanford is considerable, and, in addition, that there is a large traffic to and from points located in the near-by oil fields, which would probably flow to the line of its competitor if that line's fare between Fresno and Hanford were not equalized. The distance from Fresno to Goshen Junction via the Southern Pacific Company is 34 miles; the distance from Fresno to Hanford through Goshen Junction via the line of the Southern Pacific Company is 47.1 miles, while the distance from Fresno to Hanford via the line of the Atchison, Topeka and Santa Fe Railway is but 30.2 miles.

It is stated that if the application is denied and the petitioner required to establish through fares equal to the sum of the locals to and from Goshen Junction, that a considerable reduction in the revenue of petitioner would be brought about unnecessarily, as no formal complaint has been made as to the reasonableness of any of the fares involved; that the volume of the traffic between Fresno and Goshen Junction is immaterial and consists largely of employees of the railroad company; that if the Fresno-Bakersfield rate is reduced to the combination of locals over Goshen Junction from \$3.15 to \$3.10, that practically all local and interdivision fares of the Southern Pacific Company through Bakersfield and Fresno would be affected, the effect of the reduction even extending to the fare applying between San Francisco and Los Angeles. It is further alleged that the fares which the applicant seeks to establish by this application are just and reasonable, being less than 3 cents a mile, the basis generally employed between points in California. It would appear that because of the fact that the Southern Pacific Company is forced by the competition of the Atchison, Topeka and Santa Fe (Coast Lines) the short line, to meet the fare established by that line between Fresno and Hanford, the Commission

could consistently authorize the establishment by the applicant of a higher fare between Fresno and Goshen Junction than between Fresno and Hanford. But such an adjustment of passenger fares is impracticable and would tend to create discriminations. For example, those familiar with the adjustment traveling from Fresno to Goshen Junction would, in the majority of cases, no doubt, purchase Fresno to Hanford tickets and stop off at the intermediate point—that is, Goshen Junction—while parties not familiar with the adjustment, traveling from Fresno to Goshen Junction, would purchase tickets between those points and thereby be charged a greater fare than parties enjoying the same facilities and transported between the same points by the same carrier.

To justify the reasonableness of the proposed fare it is not enough to allege that it will not yield a rate per mile equal to that usually charged. The reasonableness of the basis with which the comparison is made should be shown; and because a considerable reduction will probably result in the carrier's revenues if the through fares are reduced to the sums of the intermediates, it does not necessarily follow that the increase should be permitted.

In view of these facts, it does not appear that the evidence is sufficient to warrant the Commission to authorize the increase in the fare between Fresno and Goshen Junction, and the application should therefore be denied.

I recommend the following order:

**ORDER.**

Southern Pacific Company having applied to this Commission for relief from the provisions of section 21, article XII of the Constitution of California, and for authority to advance its fare for the transportation of passengers and baggage between Fresno and Goshen Junction by five cents (5 cents) and concurrently to maintain a lower fare between Hanford, a more distant point; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the Southern Pacific Company has not justified the granting of this application; and basing its order on the foregoing finding of fact,

*It is hereby ordered* that this application be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of April, 1914.

## DECISION No. 1403.

## IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR RELIEF FROM THE PROVISIONS OF SECTION 21, ARTICLE XII, OF THE CONSTITUTION OF CALIFORNIA, RELATING TO LONG AND SHORT HAULS.

---

Case No. 214. (Application No. 5.)*Decided April 4, 1914.*

---

Application of the Southern Pacific Company for general relief from the long and short haul provisions of the Constitution of California until such time as any violation thereof, at present existing, may be corrected, denied.

*George D. Squires*, for Applicant.

## REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

On December 30, 1911, the Southern Pacific Company (Pacific System) filed its Application No. 5 for general authority to continue fares for the transportation of passengers or baggage from any point to any point lower than the fares concurrently in effect to intermediate points, appearing in any of the tariffs issued by said Southern Pacific Company (Pacific System) or in any of the tariffs issued by other carriers in which the Southern Pacific Company (Pacific System) is shown as a participating carrier.

The purpose of the application was to secure, as to such passenger fares, a waiver of the provisions of section 21, article XII of the constitution of the State of California, relating to long and short hauls, until the tariffs covered by the application could be thoroughly checked and any violations of the long and short haul provisions of the constitution corrected. No specific instances of departure from the long and short haul provisions were set out in the application, and the applicant, after a superficial examination of such tariffs as to which relief was asked, had not at the time of filing its application been able to locate any such violations. A hearing was duly held and a full investigation of the matters involved in the application was had and a sufficient time has been allowed in which to have thoroughly checked the tariffs covered by the application for any violations of the long and short haul provisions of the constitution, and to have corrected same, and no good reason appearing why the application should be granted or why the carrier should not now fully comply with those provisions of the constitution and Public Utilities Act as to its passenger fares, I am of the opinion that the application should now be denied.

I submit the following order :

**ORDER.**

Southern Pacific Company having applied to this Commission for authority to continue any fares for the transportation of passengers and baggage from any point on its system to any second point on its system in the State of California lower than the fare concurrently in effect to intermediate points, as set out in any tariff issued by it or any tariff issued by any other carrier in which the Southern Pacific Company is shown as a participating carrier; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the Southern Pacific Company has not justified the granting of this application; and basing its order on the foregoing finding of fact,

*It is hereby ordered* that this application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this 4th day of April, 1914.

---

DECISION No. 1404.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR RELIEF FROM THE PROVISIONS OF SECTION 21, ARTICLE XII OF THE CONSTITUTION OF CALIFORNIA, RELATING TO LONG AND SHORT HAULS.

---

Case No. 214. (Application No. 6.)

*Decided April 4, 1914.*

---

Application of the Southern Pacific Company for authorization to continue "the principles, bases and adjustments upon which were constructed passenger fares," etc., thereby being exempted from provisions of section 21, article XII of the constitution in making changes or adjustments, denied.

*George D. Squires*, for Applicant.

**REPORT OF THE COMMISSION.**

ESHLEMAN, *Commissioner*.

On December 30, 1911, the Southern Pacific Company (Pacific System) filed its Application No. 6 for authority to continue generally "the principles, bases and adjustments upon which were constructed passenger fares and excess baggage charges now lawfully on file with

the Railroad Commission of the State of California," and in support of said petition alleged "that such principles, bases and adjustments are fair and reasonable and do not result in charges that are excessive or discriminatory," and that no formal complaints were pending against same.

The application is of an omnibus nature and its purpose is apparently to secure to the applicant exemption from compliance with section 21, article XII of the constitution, in the future, when making changes in fares or adjustments which bring about violations of said provisions, until it is practicable or convenient to the applicant to adjust other fares and thereby eliminate such violations.

A regular hearing was held but no additional evidence was submitted as to the necessity for such a general authorization and the reasons alleged in the application being considered insufficient to warrant the Commission in granting such general authority, if it has the power to do so, and being of the opinion that such conditions as set out in the application can be fully met when they arise, I am of the opinion that the application should be denied.

I submit the following order:

**ORDER.**

Southern Pacific Company having applied to this Commission for authority to continue "the principles, bases and adjustments upon which were constructed passenger fares and excess baggage charges now lawfully on file with the Railroad Commission of the State of California"; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that Southern Pacific Company has not justified the granting of said application; and basing its order on the foregoing finding of fact.

*It is hereby ordered* that the application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of April, 1914.

## DECISION No. 1405.

IN THE MATTER OF THE APPLICATION OF COALINGA PIPE  
LINE COMPANY FOR A CERTIFICATE OF PUBLIC CON-  
VENIENCE AND NECESSITY AUTHORIZING THE SALE OF  
NATURAL GAS IN THE CITY OF COALINGA.

Application No. 1025.

*Decided April 4, 1914.*

Application of the Coalinga Pipe Line Company for a certificate of public convenience and necessity authorizing it to construct a pipe line into the city of Coalinga, to supply said city with natural gas through the distributing system of the Coalinga Gas and Power Company, granted.

*I. B. Potter*, for Applicant.

*H. S. Richmond*, city attorney, for City of Coalinga.

*G. W. Satchell, R. C. Bake, and A. R. Webb*, for Coalinga Gas and Power Company.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application by the Coalinga Pipe Line Company, under the provisions of section 50 of the Public Utilities Act, for a certificate declaring that the present and future public convenience and necessity require and will require the construction by applicant of a pipe line within the limits of the city of Coalinga for the purpose of selling natural gas within the city limits.

The natural gas is produced from a well located on the southwest quarter of the southeast quarter of section 35, township 20 south, range 14 east, M. D. B. and M., a distance of some 17,500 feet from the city of Coalinga. This property is owned by Traders' Oil Company, who have leased the same to B. I. Potter for a period of twenty years from February 14, 1912. Mr. Potter has been sinking wells for oil on this property. On August 18, 1913, when well No. 4 had been drilled to a depth of 508 feet, the well came in with natural gas at the rate of about three million cubic feet of gas per day. The well stood up for about two weeks, at which time water broke in. After repeated efforts, the water has finally been shut off, although there is now quite a lot of water still in the bottom of the well. In the middle of December, the gas pressure fell off considerably. Since that time the pressure has been fairly steady at about 80 pounds when the well is shut in. Mr. Potter estimates that at a 20-pound pressure the well will be able to deliver some 100,000 to 150,000 cubic feet of gas per day.



On November 6, 1913, Mr. Potter entered into a contract with the Coalinga Pipe Line Company, a copy of which contract is attached to the petition in this proceeding.

The Coalinga Pipe Line Company was incorporated under the laws of this State on October 27, 1913, for the purpose of owning, operating, leasing, and controlling one or more pipe lines in this State, to carry on the business of conveying oil, gas or any other product or by-product of the oil or gas industry, which may be conveyed by pipe lines, and for the purpose of marketing and selling the same. The authorized capital stock consists of 20,000 shares of the par value of \$1.00 each, of which no shares have hitherto been issued except one to each of the three directors. Before additional shares can be issued it will be necessary to secure the authority of this Commission, as provided by section 52 of the Public Utilities Act.

In said contract between Potter and the Coalinga Pipe Line Company, Potter agrees to sell and the Pipe Line Company agrees to buy all the natural gas developed on the tract of land hereinbefore described, "at 8 cents per thousand cubic feet for all gas sold to consumers at the rate of 25 cents or more per thousand cubic feet and  $4\frac{1}{2}$  cents per thousand cubic feet for all gas sold to consumers at less than 25 cents per thousand cubic feet." After certain provisions with reference to the payment of royalty by Potter to the Traders' Oil Company, the contract provides that the Pipe Line Company will construct a  $2\frac{1}{2}$ -inch pipe line from the property to Coalinga, and will install a compressor and electric plant of the necessary capacity for this service and will lay service pipes "to all consumers within a radius of five miles from the well whose gas bills will pay for the cost of installing service pipes within one year." The contract is to remain in effect during the lifetime of the 20-year lease held by Potter.

Mr. Potter testified that the cost of drilling the well in which natural gas was found was between \$3,500.00 and \$4,000.00, and that the following amounts have been spent up to March 1, 1914, in the construction of the pipe line from the well to Coalinga and in the installation of a compressor and electric plant on the pipe line at a distance of about 500 feet from the well:

Pipe line, 17,500 feet, $2\frac{1}{2}$ -inch.....	\$2,278 90
Compressor and electrical plant .....	821 28
Freight and hauling .....	1,408 35
Labor, pipe being laid 18 inches underground.....	2,393 35
Supplies and fittings .....	491 81
Meters .....	120 00
Miscellaneous expenses .....	531 00
<b>Total .....</b>	<b>\$8,044 69</b>

The pipe line has been completed to within a few feet of the gas plant of the Coalinga Gas and Power Company, located within the city of Coalinga. Coalinga Pipe Line Company now proposes to deliver all its natural gas to the Coalinga Gas and Power Company at the rate of 30 cents per thousand cubic feet, and the Coalinga Gas and Power Company desires to enter into this arrangement and to distribute the natural gas to its customers for use for domestic purposes.

Coalinga Gas and Power Company manufactures artificial gas in its plant in the city of Coalinga, and at the present time has some 460 customers, all located within the city, and all consuming gas for domestic purposes only. G. W. Satchell, the company's manager, testified that fifteen months ago his company had 550 customers, but that owing to a temporary falling off in activity in the Coalinga oil field, the number of consumers of gas had decreased. The company's charge for artificial gas is \$2.00 for 5,000 cubic feet of gas or under, delivered in any one month, less a discount of 25 cents if the bill is paid before the fifteenth day of the ensuing month, and \$1.75 for over 5,000 cubic feet of gas consumed per month, less a similar discount of 25 cents per thousand cubic feet of gas if the bill is paid before the fifteenth day of the ensuing month. Mr. Satchell testified that all persons at present using gas for lighting purposes use incandescent burners, so that the only change in the consumers' appliances which will be necessary in case natural gas is substituted for artificial gas will be a slight change in the customers' valves, which can readily be made by the company's employees.

The witnesses at the hearing, which was held at Coalinga on April 2, 1914, testified that there have been but slight traces of natural gas in the vicinity of the Potter well, but that several million cubic feet per day are produced in conjunction with oil in a well on what is known as the Turner lease, distant some nine miles in another direction from the city of Coalinga. No steps have as yet been taken to pipe this gas to Coalinga.

The life of the Potter well is at best problematical. Because of the uncertainty of the life of this well, it will be necessary for the local company to keep its artificial gas plant in readiness for service at any time.

This proceeding does not involve the rates charged by the Coalinga Gas and Power Company for gas, either artificial or natural, sold to its consumers in the city of Coalinga. If that question is ever presented to this Commission, by the city of Coalinga or otherwise, the Commission will at that time carefully investigate this question.

The only matter involved in the present proceeding is whether the Coalinga Pipe Line Company should be permitted to construct its pipe

line in the city of Coalinga for the delivery of natural gas to the Coalinga Gas and Power Company for distribution by that company to its customers. The natural gas developed in the oil fields of this State has an average efficiency of at least 60 per cent in excess of that of artificial gas. The consumers of gas in localities to which this natural gas may be piped have a right to the use of this superior gas. It may also transpire, in most of these cases, that the much lower cost of the natural gas to the public utility supplying the same will ultimately result in the reduction of the rate to the consumer. Even if the gas in the Potter well should hold up for only a relatively short period of time, the people of Coalinga are entitled to the use of this superior gas during such period.

I accordingly find that the public convenience and necessity require and will require the construction by Coalinga Pipe Line Company of its pipe line within the city of Coalinga for the supply of natural gas within the city, and recommend that the application be granted. If this pipe line crosses any public streets in the city of Coalinga, application for a franchise should be made to the city of Coalinga and application to this Commission for authority to exercise the same should thereafter be made, under the provisions of section 50 (b) of the Public Utilities Act.

I submit herewith the following form of order:

**ORDER.**

Coalinga Pipe Line Company having applied to this Commission for an order authorizing the construction of a pipe line for the supply of natural gas within the city of Coalinga, and a public hearing having been held on said application, and the Coalinga Gas and Power Company having appeared at the hearing and requested that the application be granted, and no person having appeared in opposition thereto, the Railroad Commission hereby declares that public convenience and necessity require, and will require, the construction by Coalinga Pipe Line Company of its pipe line within the city of Coalinga for the delivery of natural gas to Coalinga Gas and Power Company, for distribution by the latter company to its patrons. Noting in this order contained shall be construed to authorize the Coalinga Pipe Line Company to construct a distributing system within the city of Coalinga for the sale of natural gas to the inhabitants of Coalinga in competition with any other public utility at present supplying gas to the inhabitants of Coalinga.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of April, 1914.

## DECISION No. 1406.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF THE SAN DIEGO AND ARIZONA RAILWAY  
COMPANY.

Case No. 188.

*Decided April 4, 1914.*

Investigation on motion of Commission to ascertain various elements entering into the value of respondent's property. Terms defined. Owing to the fact that this road is still in course of construction, considerable discrepancies appear between Commission's and respondent's figures, due to the inclusion by respondent of non-operative property.

*Findings of Fact:* (1) That the original cost of the operative physical property of respondent within the State of California, as of June 30, 1912, is the sum of \$1,192,704.40, and the book cost of respondent's entire property, the sum of \$4,504,040.73; (2) That the reproduction value of the operative physical property of respondent within the State of California, as of June 30, 1912, is the sum of \$1,557,156.47, and of the entire property the sum of \$5,904,040.73; (3) That the present value of the operative physical property of respondent as of June 30, 1912, is the sum of \$1,535,100.49, and of the entire operative and non-operative property the sum of \$5,881,990.75.

## REPORT OF THE COMMISSION.

EDGERTON and LOVELAND, *Commissioners*.

This is one of the so-called railroad valuation cases, brought on the Commission's own initiative, for the purpose of ascertaining the facts in regard to the various elements entering into the value of the property of various steam railroad corporations in the State of California.

The definitions of certain terms which will be used in this opinion are as follows:

The term "original cost," as used in this opinion, means the original book cost, and is defined as the actual expenditures chargeable to capital account in accordance with the classification of expenditures for road and equipment as prescribed by the Interstate Commerce Commission for steam roads, in cash or its equivalent in terms of cash, by the public utility, for its operative property in the State of California as of the date of the valuation.

The term "reproduction value," as used in this opinion, is defined as the estimated cost in cash of acquiring the operative right of way and other operative real estate, and of reproduction, in the condition in which it was acquired, the other physical property of the public utility in the State of California, as of the date of the valuation, to which are added overhead expenditures for engineering, law, interest and commissions, and other similar items.

The term "present value," as used in this opinion, is defined as the "reproduction value" less the diminution in the value of the physical elements of the property, due to use, age, obsolescence, inadequacy, or other causes, this diminution being called "depreciation," and plus the increase in the value of the physical elements of the property, due to age or other causes, this increase being called "appreciation." "Present value" might be defined as the "depreciated and appreciated reproduction value," and does not mean the ultimate fact of present value, as that term is ordinarily used.

In accordance with this Commission's order, dated March 11, 1912, the San Diego and Arizona Railway Company filed with the Commission on October 16, 1912, an inventory of its property in the State of California, together with a statement of its original cost, reproduction value and present value, the final summary sheet of which is attached to this opinion and marked "Exhibit A."

In December, 1912, the Commission's engineering department commenced its independent valuation of this road. The engineering department's valuation report was transmitted to the Commission on May 5, 1913, and a copy of the entire report was furnished to the company. On September 8, 1913, and before the hearing was held in this case, the engineering department's revised valuation was submitted to the Commission. This revision was caused principally by changes in the definitions of certain terms which affected the determination of cost and values, and by reason of adopting overhead and contingencies percentages differing from the ones used in the original appraisal. This revised report, which was introduced at the hearing as the engineering department's final valuation, showed cost and value for this company's total operative property in the State of California, as of the date of the appraisal, as follows: Original cost, \$1,162,010.23, reproduction value, \$1,533,058.64, and present value \$1,512,022.20. A copy of the final summary sheet of the engineering department's revised estimate is attached hereto and marked "Exhibit B."

Thereafter, on November 26, 1913, a hearing was held in San Diego in this proceeding. The railroad company was represented by Harry L. Titus and R. G. Dillworth, attorneys, E. J. Kallright, chief engineer; and A. H. Kayser, auditor, of the company.

No objections to our valuation were made at the hearing by the company's representatives. Before the hearing, however, Mr. E. J. Kallright, the company's chief engineer, had submitted to the Commission's engineering department for investigation a memorandum covering a number of objections to the methods and findings used in the engineering department's valuation, and had been assured that his objections would be looked into. An understanding was, in fact, reached as to

practically every disputed item before and after the hearing in San Diego. It might be well to point out here that only such items were considered in the company's memorandum as showed a value lower than that arrived at by the Commission's engineers, and no mention was made of the equally important fact that in a number of instances the opposite state of affairs existed, where the engineering department's values were high. The changes and adjustments agreed upon, however, between the company and the Commission's engineering department, necessitated a revision of the valuation introduced at the hearing as the engineering department's exhibit.

The engineering department, acting under instructions of this Commission, made a second inspection of the books and property of the company, as a result whereof the original cost of the property was found to be somewhat decreased, while the reproduction value and present value were materially increased, as will hereinafter appear. The revised final summary sheet containing the Commission's findings is attached hereto and marked "Exhibit C."

A comparison of the different valuations appears as follows:

Item	*Company's valuation	Engineering Department's valuation	Commission's valuation
Original cost .....	\$1,991,243 08	\$1,162,010 23	\$1,192,704 40
Reproduction value .....	3,284,634 20	1,533,058 64	1,557,156 47
Present value .....	3,251,207 02	1,512,022 20	1,535,106 49

\*The company's totals include certain non-operative property not included in our valuation; see below.

This table reveals the fact that the differences in final totals between the engineering department's valuation and the final valuation as found by the Commission are small and comparatively insignificant. The discrepancies, however, as between the company's and the Commission's totals are very large. A comparison of the last mentioned two sets of figures will show that the Commission's figures are lower than the company's by the following amounts:

Original cost .....	\$708,538 68
Reproduction value .....	1,727,477 73
Present value .....	1,716,100 53

It should be stated immediately that a comparison between the totals established by the company and by the Commission will be entirely misleading unless it is explained that the bases for the two valuations are entirely unlike. In the engineering department's and this Commission's valuations there is excluded from "original cost" a total of \$827,306.35, and from the "reproduction value" a total of \$1,829,687.10, which amounts are shown by us as non-operative property and are not included in the totals given above as our original cost and reproduction value. While, in accordance with our definitions of the

terms "original cost," "reproduction value" and "present value" the "non-operative property" has been segregated from the company's valuation, we do not wish to be understood as having ignored this item. The changes and adjustments made are set forth in detail and fully explained in the engineering department's complete report to the Commission. But in order to have a clear understanding of the situation, it appears necessary to go somewhat into the scope of the work. The valuation report transmitted by the engineering department to the Commission and adopted as the basis for this decision, considers in detail only the operative property of this company in the State of California, as of the date of the appraisal, and the figures, by accounts, on the final summary sheet, "Exhibit C," show the amounts for such property only.

This valuation is unusual and complicated in a number of ways. It was necessary to distinguish as between property in California and in Mexico, and also as between operative and non-operative property in both countries. While it is true that certain portions of the line, where the track is laid, are nominally "operative property," and others, where construction work is in progress but track is not yet laid, are technically "non-operative," the line as a whole, in the true sense of the word, can by no means be considered as operative. It will not be such until the road is completed from one end to the other. In this valuation the 14 miles of operative road on the Western Division and the 10 miles on the Eastern Division in California are considered as independent pieces, and the construction period is taken at less than one year, and interest on the capital invested is figured on this basis. If the line were considered as a whole the construction period for the entire work should probably be not less than two years, and it would appear as if an injustice had been done the company by this method of valuation. For this reason, and in order to make it clear that the Commission fully understands the true situation, there will be given in what follows a statement showing the cost and value of the property as a whole, both operative and non-operative, and both in California and in Mexico. These matters are of importance and will give information that must be considered whenever the question of securities or of rates arises on this line and the valuation becomes of evidence.

As is usual in these valuation proceedings, we shall, in connection with this inquiry, consider the following matters:

1. Organization, construction and operation;
2. Stocks and bonds;
3. Revenues and expenses;
4. Original cost;
5. Reproduction value;
6. Present value.

**1. Organization, Construction and Operation.**

The San Diego and Arizona Railway Company was incorporated under the laws of the State of California on December 15, 1906, to construct and operate a standard gauge railroad from San Diego eastward to Yuma, Arizona. This projected distance is 220 miles, though present plans consider a road extending eastward only to Seeley, a distance of 139 miles, to a connection with the Southern Pacific Company's line from El Centro to Seeley.

This company is one of a group of San Diego organizations known as the "Spreckels' Companies," because of the predominance of J. D. Spreckels in their control. These companies are as follows:

San Diego Electric Railway Company;  
Southern California Mountain Water Company;  
Coronado Water Company;  
San Diego and Coronado Ferry Company;  
San Diego and Coronado Transfer Company;  
United Light, Fuel and Power Company;  
San Diego and South Eastern Railway Company;  
San Diego and Arizona Railway Company;  
Coronado Beach Company;  
Hotel Del Coronado;  
Coronado Tent City;  
Coronado Plumbing Company.

The same group of men occupy in general the same positions on the directorates of all these companies, and the present officers of the San Diego and Arizona Railway Company are as follows:

John D. Spreckels, president;  
William Clayton, vice-president;  
H. L. Titus, secretary, treasurer and general counsel;  
A. H. Kayser, general auditor;  
E. J. Kallright, chief engineer and acting superintendent.

For the purposes of this valuation the San Diego and Arizona Railway Company has been considered as an independent company in law and in fact. It should be stated, however, that at the hearing on the bond application of this company before this Commission in San Diego, Mr. H. L. Titus, attorney for the company, stated that this company was "organized in 1906 by the Southern Pacific Company, for the purpose of building a road from San Diego easterly to a connection with its road leading to Yuma. This was done through the instrumentality of John D. Spreckels and A. B. Spreckels." The record of stockholders shows that these two men hold between themselves 19,970 of the 20,000 shares of capital stock. The status of the real ownership of this stock



as between the Spreckels interest and the Southern Pacific Company was not revealed at the hearing. It is a fact, of course, that the Southern Pacific Company has brought suit in the United States Court at San Francisco against John D. Spreckels and A. B. Spreckels. This suit on the surface appears to be an attempt on the part of the Southern Pacific Company to force Mr. Spreckels to purchase this stock. The contention of Mr. Spreckels' attorney is that the agreement was simply an option, while the Southern Pacific Company claims that the agreement was a contract of sale.

This matter is of interest in connection with this valuation only with respect to the allowance for cost of transportation of men and material entering into the construction of this road. If this were a Southern Pacific Company line instead of an independent one, it is probable that flat transportation rates would be charged against the construction instead of commercial tariff rates, as is done in this present valuation.

The San Diego and Arizona Railway Company comprised, on June 30, 1912, a total operative mileage in the State of California of 24.45 miles, made up as follows:

Main line, first track, Western Division.....	14.26 miles
Main line, first track, Eastern Division.....	10.19 miles
Total.....	24.45 miles

There is constructed in Mexico 21.67 miles of line, bringing up the total constructed main line mileage to 46.12.

From June 30, 1912, up to the date of the report there were laid additional 6.83 miles, in the fiscal year ending June 30, 1913, and approximately 10 more miles since that date. This makes a total constructed mileage of approximately 63 miles, out of the total survey distance from San Diego to Seeley of 139.2 miles.

The road as at present constructed and operated is divided into two divisions, namely, the Western Division and the Eastern Division. A statement of the total track mileage for both main line and other tracks, of the operative property in the State of California, is as follows:

Main line (first track) Western Division.....	14.26 miles	
Main line (first track) Eastern Division.....	10.19 miles	
		24.25 miles
Main line (second track) Western Division.....		.66 miles
Other tracks Western Division.....	3.30 miles	
Eastern Division.....	1.80 miles	
		5.10 miles
Total all tracks.....		30.21 miles

Generated on 2024-09-25 00:58 GMT / https://hdl.handle.net/2027/uc1.b3271643  
Public Domain, Google-digitized / http://www.hathitrust.org/access\_use#pd-google

The road, as constructed, leaves San Diego from a terminal which extends into the heart of the city and comprises valuable land in the commercial and warehouse district. As the road approaches the south limits of San Diego and the north limits of National City, there have been acquired large terminal areas, many of which at present must be considered as non-operative. The line from San Diego runs in a southeasterly direction through National City, Chula Vista and San Ysidro, to the international boundary line at Tia Juana, at which point it enters into Lower California. From here it works its way in a general easterly direction through the undeveloped desert territory of Lower California, via San Ysidro Valley and the Tecate Valley for a distance of approximately 44 miles, crossing back over the international boundary line into the United States in the eastern end of San Diego County, some 4 miles west of Campo. From Campo the survey line crosses Clover Flat and goes over the Tecate Divide, the highest point on the line, at an elevation of 3,668 feet. From here it traverses Jacumba Valley and enters Carriso Gorge, continuing due north through the gorge for a distance of approximately 9 miles from Jacumba Hot Springs. From here the road again assumes a general easterly direction, enters Imperial County about 4 miles after leaving the gorge, and passes through Coyote Wells and Dixieland, to a connection with the Southern Pacific Company's line at Seeley.

The character and type of construction on this road, both as to roadbed and track, is in general that used by the Southern Pacific Company in its best work. The grading through the mountainous portions of the work is very heavy. The type of construction for use in structures, such as trestles and culverts, is equally high. The rail is all new 75 pound, section 154, open hearth steel, with the exception of a little 60-pound rail in some yard tracks. The main line track is spliced with standard continuous joints and fully tie plated. Ties are the best quality split redwood, and the company paid a high price for them, an expenditure which will undoubtedly prove a good investment. The line when completed will be fully ballasted, and if the present standards are adhered to for the portion of the line remaining to be constructed, the line will favorably compare with the best railroad construction in this State. It has already been stated that the company is in a very advantageous position with reference to its valuable and extensive terminals in the city of San Diego.

Operation was commenced on the Western Division on March 1, 1911, from San Diego to San Ysidro, and the mileage of 14.26 miles of main line first track, from San Diego to the international boundary line, is reported in the company's annual report as being technically

“under operation.” Operation is being carried on mainly in connection with the construction work in Mexico. There is as yet no passenger equipment. It is, therefore, but natural that operation at present is unprofitable. On the east end, in Imperial County, operation is maintained for the San Diego and Arizona Railway Company by the Holton Interurban Railway Company under the terms of two agreements drawn up to enable the San Diego and Arizona Railway Company to comply with its franchise requirements. The Holton Interurban Railway Company, as lessee, agrees to operate at least one full train in each direction between Seeley and a point approximately 5 miles west of Seeley, daily. The second agreement provides that from the last point westerly the Holton Interurban Railway Company shall operate a train as often as it is necessary.

While it is true that technically certain portions of this line are operative, it is evident that present arrangements are but makeshift and temporary, and that operation in fact will not commence until the line is completed from one end to the other.

### 2. Stocks and Bonds.

The capital stock of this company consists of 60,000 shares of the par value of \$100.00 per share, or a total authorized capitalization of \$6,000,000.00, of which 20,000 shares, *e.g.*, \$2,000,000.00, were fully subscribed by September 15, 1909, and the other 40,000 shares have not yet been issued. The company's road and equipment accounts contain practically no charge to I. C. C. Account No. 47, interest during construction, until after the time when this \$2,000,000.00 was spent. This money appears to have run out in the fall of 1910, and the road has been financed since then largely on the basis of one-day notes, demand notes and six month loans. The total indebtedness on account of “Notes payable outstanding August 31, 1913,” is \$3,007,908.55, of which over one half is owing to J. D. Spreckels Bros. Company in San Francisco; and the interest chargeable to capital account runs now to over \$80,000.00 per year. It should be stated that this company has been before the Commission with an application for an order authorizing the issue of \$15,000,000.00 of general first lien 5 per cent gold bonds, and that in its Decision No. 1264, the Commission has authorized the issue of such bonds to the amount of \$10,000,000.00, face value. For the details of this bond issue reference is hereby made to Decision No. 1264, of February 9, 1914.

### 3. Revenues and Expenses.

This company is now operating in a temporary and makeshift fashion over approximately 25 miles of what is technically termed “operative line.” It is not surprising that under the circumstances the operat-

ing expenses exceed the operating revenues. The principal operating figures for the year ending June 30, 1913, are as follows:

Operating revenue .....	\$6,513 70	
Hire of equipment.....	5,928 89	
Income from lease of road.....	18 65	
Miscellaneous rent income.....	200 00	
Total operating revenue .....		\$12,661 24
Operating expenses .....	\$13,422 71	
Taxes .....	764 28	
Total operating expenses.....		14,186 99
Net corporate loss.....		\$1,525 75

Passenger traffic and freight traffic statistics are not available and would be of no significance under present conditions.

#### 4. Original Cost.

It was possible for the engineering department to ascertain full and complete information as to the original cost of this property. This original cost as reported by the railway company (see "Exhibit A") is \$1,991,243.08. The "original cost," as defined, of the operative property of this railroad in the State of California, as of June 30, 1912, as found by the Commission (see "Exhibit C") is \$1,192,704.40. In the company's valuation there is included a total of \$827,306.35, which in our valuation is classed as non-operative property. This item of non-operative property is of considerable importance in this valuation and will be discussed more fully later on. It is clear that the Commission's and the company's original cost figures are not comparable and that the difference is more apparent than real. As a matter of fact, the Commission's engineering department and the auditing department of the company have agreed on what should be considered as proper charges to the capital account, as also to the proper division between operative and non-operative property, and a common original book cost satisfactory to both parties, as of June 30, 1912, has been established. Certain items in the accounts constituting the original cost are deserving of special mention and will be gone into somewhat more fully.

##### 1. RIGHT OF WAY, STATION GROUNDS AND REAL ESTATE.

This item, in the original cost as submitted by the company (see "Exhibit A"), amounts to \$971,125.65 out of a total of \$1,991,243.08, or nearly 50 per cent of the total. Putting it another way, the original cost of land, according to the company's presentation, is nearly \$40,000.00 per mile of the operated line, as of June 30, 1912, out of a

total of approximately \$81,000.00 per mile. The company's total is made up of the following items:

## WESTERN DIVISION.

1. Right of way and real estate now in operation-----	\$288,853 24
2. Proposed right of way, Date street to N street-----	459,690 40
3. Present excess terminal lands-----	204,270 18

Subtotal western division----- \$952,813 82

## EASTERN DIVISION.

4. Right of way and station grounds-----	\$10,212 62
5. Real estate -----	8,099 21

Subtotal eastern division----- 18,311 83

Grand total ----- \$971,125 65

In addition to this total the company owns outside real estate, which is not carried in road and equipment accounts, the original cost of which was \$80,686.62. In the Commission's valuation items 2 and 3 in the above table are considered as non-operative property, in accordance with our definition of the term "original cost." A distinction is made between operative and non-operative property, because of the disposition to be made for accounting charges, rate adjustments, etc. Operative land is defined as such property as is actually used by the railway company in the present performance of its duties to the public. Lands owned by the company, but not covered by the above definition are termed "non-operative," and by this segregation it is intended that interest charges will only be allowed on property actually devoted to public use. Without such a distinction there would be wide limits beyond which public utility corporations could go to buy and hold land for future or outside uses, and charge the cost and interest on such land to the public.

A peculiar condition appears in classifying the lands of the San Diego and Arizona Railway Company. On account of the interruption in construction and the failure to lay tracks on the right of way acquired between N and Date streets, in San Diego, and on account of the extensive terminals provided for future growth, this company now has considerable areas of non-operative land. It is true, however, that the company exercised reasonable foresight in securing ample terminal space, and furthermore, acquired this property at a remarkably low cost, considering that the purchaser was a railroad company. While it was necessary to class a large portion of the company's lands as non-operative, it is not to be understood that the value of such property is ignored in this valuation, and the matter will be further discussed under the heading "non-operative property."

## 2. ENGINEERING.

The company submits a total original cost for this item of \$108,563.12. This amount represents the expenditures incurred in the State of California for surveys, general engineering, and construction engineering. In the Commission's valuation the original cost of engineering for the operative property in California is shown to be \$38,692.10. The reduction of \$69,871.02 is caused by segregating the original cost of this item as between operative and non-operative property. The details of this segregation appear rather complicated and are shown in the engineering department's report to the Commission. This item also will be considered again under the heading "non-operative property."

## 3. GRADING.

The company in its original cost shows this item as \$197,952.92, while the corresponding figure in our valuation is \$175,660.34. The difference of \$22,292.58 is classed as non-operative property.

## 4. STEEL BRIDGES, TRUSSES AND CULVERTS.

The company has charged to this class \$22,727.60, while the same item in our valuation is charged with \$12,428.23. The difference is explained by stating that certain ballast deck culverts, classed by the company under the above heading, are classed by the engineering department under trestles and culverts, so that the difference is one of classification merely, and not of money.

## 5. TELEGRAPH AND TELEPHONE LINES.

This item does not appear in the Commission's valuation (see "Exhibit B"), while the company shows the original cost of this item (see "Exhibit A") at \$1,628.96. This telegraph and telephone line was installed temporarily from Morena Dam to Carriso Gorge in connection with the non-operative grading in Carriso Gorge, and is therefore similarly classed as "non-operative" in this valuation.

## 6. DOCK AND WHARF PROPERTY.

Strictly speaking there is as yet no dock and wharf property owned by the company, but there is shown in the company's appraisal an expenditure to this account of \$2,802.09. In accordance with our definition, this item will be shown in our valuation as non-operative property. The company has also agreed to transfer to the account "Engineering" an item of \$345.99 shown under dock and wharf property, this expenditure being incurred on account of making plans and soundings in San Diego Bay.

## 7. STEAM LOCOMOTIVES.

The entire original cost of this account, shown in the company's books for its property in California and Mexico, is \$26,948.66, of which amount there is apportioned by the company, on the basis of single main line mileage in the two countries, \$14,283.79 to the United States

and \$12,664.87 to Mexico. The company's mileage in the United States includes the mileage in Imperial County. Its locomotives are operated on the Western Division of the road, and the basis for segregation would normally be the locomotive mileage, which, however, is not available in this case, and construction mileage is unsatisfactory as a basis of apportionment. The engineering department has therefore used arbitrary figures of 80 per cent and 20 per cent to represent relative locomotive mileages in San Diego County and in Mexico, as this locomotive mileage is made up entirely between San Diego and the end of the constructed line in Mexico, with the heaviest traffic between San Diego and Tia Juana. The track in Imperial County is operated and maintained by the Holton Interurban Railway Company, and the San Diego and Arizona Railway Company does not own any equipment in Imperial County. Under the engineering department's basis of segregation the charge to the operative property in California is \$21,558.93, the figure shown in "Exhibit C."

#### 8. FREIGHT TRAIN CARS.

The total original cost chargeable to this account on the company's books is \$87,164.81, and distribution is made by the company in a manner analogous to that of steam locomotives, resulting in an apportionment to California of \$46,200.57. The engineering department of the Commission has segregated this cost, as with locomotives, in a proportion of 80 per cent to California and 20 per cent to Mexico, which method gives for California the sum of \$69,731.85, as shown in "Exhibit C."

#### 9. WORK EQUIPMENT.

The sum of \$21,365.84 is charged on the company's books to this account, of which amount \$11,324.68 is apportioned to California, as per the original cost statement filed with the Commission. None of the twenty-one pieces of work equipment listed by the railway company have any connection with operation, but all are held in reserve in San Diego for further construction work. The engineering department's report therefore shows the entire amount of \$21,365.84 as non-operative property (see "Exhibit D").

#### 10. STATIONERY AND PRINTING.

This account is comparatively insignificant, but in order to give a complete explanation of all discrepancies, the difference between the company's and our valuation should be reconciled. An original cost of \$2,890.09 is submitted by the company, which is an arbitrary one half of the total cost charged from July, 1907, to June 30, 1912, to the United States and Mexico. The Commission's engineering department has distributed this charge analogous to the distribution of the item "Engineering," namely, on the basis of 60 per cent to the located line and 40 per cent to the constructed line. The 60 per cent is further apportioned on

a mileage basis among the various operative or non-operative units. The details are given in the engineering department's report to the Commission, and the segregation results in a charge of \$1,797.09 to the operative property in California.

#### 11. TAXES.

The company, as shown in "Exhibit A," submits a total of \$63,109.37 charged to this account, much of which was paid after operation commenced, and is not now considered a proper charge against construction. The reason this amount was so charged was a ruling by the state board of equalization, which compelled the company to pay taxes up to and beyond the date of the valuation on the basis of non-operative property. The company started suit in the Superior Court of San Diego County to recover the amount of its city and county taxes, as paid on this basis since March 1, 1911, claiming that they were in excess of what they would have been on the basis of an operative company. A large proportion of each year's taxes has also been paid on land not now occupied by track, namely, from Date street to N street, in San Diego. In the valuation of the Commission's engineering department all taxes against the operated mileage subsequent to the date on which any portion of the road was placed in operation, will be considered as proper charges against operation, and not against construction. The department's report gives in detail the proper segregation of the tax item to operative and non-operative property in California and in Mexico, and shows that the sum of \$15,079.12 is properly chargeable to original cost for the operative property in this State, and that the sum of \$35,292.40 should be charged against the non-operative property in California.

#### 12. INTEREST DURING CONSTRUCTION.

There is no difference in the amounts shown for this item as between the company's and the Commission's valuations. The charge against this account is so comparatively small, however, that an explanation would seem necessary. It has already been mentioned that the company started construction with an amount of cash on hand from the payment in full for stock subscriptions of \$2,000,000.00, and no interest was paid on or charged against this sum. This cash on hand made up more than was lost on account of a four-year actual construction period. Now that the cash on hand has all been spent, some time ago, and all construction work is being executed on borrowed money, the interest charge is going up very rapidly. Thus, the outstanding notes payable as of August 31, 1913, amounted to \$3,007,908.55, on which interest to the amount of \$87,645.47 was paid during the year ending June 30, 1913. This entire amount was charged to Account 47, interest and commission, while during this same year only 6.83 miles of new line were constructed.



This concludes the comparison of accounts on which marked discrepancies appear as between the company's and the Commission's valuation. Smaller differences occur in several other accounts, all of which are caused by bookkeeping discrepancies, and which it does not seem necessary to consider here. All differences, however, are explained in the engineering department's report to the Commission.

We, therefore, find that the "original cost," as heretofore defined, of the operative property of the San Diego and Arizona Railway Company within the State of California, as of June 30, 1912, is the sum of \$1,192,704.40. This sum is apportioned to San Diego County with \$891,738.65 and to Imperial County with \$300,965.75.

We do not, however, look upon this as a comprehensive disposition of the matter without considering this item from another point of view. We believe it is necessary that this line should be regarded not only as two disconnected short pieces of track, technically termed "operative line," and ending nowhere, but that the line should be regarded as a whole, irrespective of boundaries and of division between operative and non-operative property, and including material and supplies and certain cash, credit and debit items, if the actual cost, in terms of cash, of the entire property is to be ascertained. These figures as nearly as they can be determined are as follows:

Original book cost charged to road and equipment accounts by the railway company for the entire line in California and Mexico, as per annual report for 1912-----	\$4,062,116 04
Of this amount the company charges to the line—	
In California -----	\$1,991,243 08
In Mexico -----	2,070,872 96
Total -----	\$4,062,116 04

In addition to this total the company lists the following items:

1. Outside real estate -----	\$80,635 99
2. Materials and supplies -----	305,709 16
3. Miscellaneous accounts receivable -----	65,274 35
4. Other deferred debit items-----	15,788 95
5. Cash -----	28,306 13
6. Due from agents -----	80 49
7. Balance from profit and loss-----	2,741 88

The addition of these items results in a grand total of \$4,504,040.73, and is equal to the grand total of the company's comparative general balance sheet, as of June 30, 1912.

The investigation into the company's books has shown that these figures are reliable, and the above grand total will be set down as the book cost of this company's entire property as of June 30, 1912, as near as it is possible to ascertain.

**5. Reproduction Value.**

By referring to the railway company's final summary sheet, which is attached hereto and marked "Exhibit A," it will be noted that the company estimated the reproduction value for the entire line at \$3,284,634.20. The Commission's engineering department in its final valuation arrives at a total for the same item, as given in detail in "Exhibit C," of \$1,557,156.47. A comparison of the two exhibits will immediately show in what accounts the principal differences occur. Under the preceding heading, "original cost," the segregation by the Commission's engineers of the company's property between operative and non-operative road, has been discussed at length, and it will be sufficient to say here that the reproduction value, as far as quantities are concerned, agrees with the original cost. The explanations given under the different accounts are therefore applicable, in general, to the item of reproduction value also. The methods adopted in determining the reproduction value of this property and the prices used are explained in detail in the engineering department's report to the Commission. At the hearing in San Diego no objection was made to these methods and prices in their entirety, except that certain corrections and adjustments were made, as outlined in a memorandum by the company's chief engineer, which matter has already been mentioned in this decision. It would therefore appear unnecessary to take up in this place the numerous details connected with each account, and only the most important items will be considered. In a number of accounts the reproduction cost estimate made by the Commission's engineering department exceeds the same estimate by the company's engineers, and in other accounts the opposite is true. The final differences, excepting the more important items, which will hereinafter be considered, are small.

In the engineering department's original appraisal (see "Exhibit B") the lands owned by the company were classified as operative and non-operative real estate, and the present market value of the operative lands was fixed at \$495,000.00, and the non-operative lands at \$1,248,479.61, making a total present market value of operative and non-operative lands of \$1,743,479.61.

The company in its valuation (see "Exhibit A") considered all of its lands operative, and placed thereon a present market value, which is made equal to the reproduction value, of \$2,286,421.64.

The reproduction value, which includes the so-called right of way multiple, however, was determined for the operative lands only and not for the non-operative real estate of the company; and this reproduction value for the operative right of way and real estate was estimated to be \$729,576.63. The company did not consider this method an equitable or fair one, and claimed that a large portion of its land, while it might be technically termed "non-operative" under our definition, nevertheless

certainly had a reproduction value proportional in every respect to those of the so-called operative lands. The company further contended that a large part of those non-operative lands in fact were operative as of the date of the appraisal, and made special reference to its terminal lands in San Diego.

The engineering department subsequent to the hearing in San Diego went fully into this matter, and submitted a reproduction value in which the value of practically all lands were estimated on the "operative" basis. In the Commission's valuation the lands are divided into two classes, of which the first group is the right of way and station grounds associated with the mileage of road now in operation. This is the group which is listed with the operative property of the line in the State of California. The second group is the proposed right of way from Date street to N street, in San Diego, and was acquired in connection with contemplated extensions. This group also includes what is termed in the engineering department's report "Present Excess Terminal Lands"; and is listed with non-operative right of way and station grounds, but a reproduction value based on the present railroad value is nevertheless allowed, implying a right of way multiple. On both the first and second group there is also allowed 10 per cent for costs of acquisition and 5 per cent for interest during construction. In addition to these two groups the company also owns certain outside real estate which is not carried in road and equipment accounts, and which should be considered as non-operative property, the present market value of which is \$90,744.15. The engineering department's reproduction value of these two groups of land is then built up as follows:

Present market value .....	\$1,654,405 38
Add a right of way multiple of .....	424,432 01
Add for cost of acquisition .....	207,883 73
Add for interest during construction .....	114,336 04
<hr/>	
Total reproduction value .....	\$2,401,057 16

The company's reproduction value for right of way and station grounds, as shown in "Exhibit A," is \$2,286,421.64. The largest part of the difference between the company's and the engineering department's reproduction value of this item is taken up by our allowance of interest during construction, which, it will be noted, is \$114,336.04. There then remains a very small difference between the two figures, amounting to less than 1 per cent of the total involved, and it may be pointed out that this is a remarkable coincidence when it is considered that the engineering department used arbitrary right of way multiples based upon general averages throughout the State instead of the lower multiples which actually held for this particular road at the time of

purchase and which probably guided the company in their reproduction value estimate.

Of the total reproduction value of the company's lands given above, the operative property of the company in the State of California is estimated, as shown in "Exhibit C," at \$729,576.63.

We will discuss shortly the items that are usually termed "overhead expenses," namely, engineering, law expenses, interest, and other expenditures.

In the item of engineering a flat allowance of 5 per cent on Classes 3 to 36, inclusive (see "Exhibit C"), is made in the engineering department's reproduction value estimate, which results in an allowance of \$33,201.46 for the operative property in the State of California. The company has estimated the reproduction value to be equal to the original cost, as charged against this account, which is the sum of \$108,563.12. This results in a decrease of \$75,361.66 as compared with the company's estimate. It has been shown how this account was handled under "original cost," and that practically all of this difference is taken care of in the Commission's valuation under the item of "non-operative property." Law expenses, in our valuation, are estimated at 1 per cent of Classes 3 to 36, inclusive, while in the company's appraisal the cost to reproduce this item was made equal to the original cost. The method of handling the interest account, as regards the division between operative and non-operative property, has been explained under the heading "original cost." In the estimate of the cost to reproduce this item the period of construction for the operative portion of the line of the Eastern Division (10.19 miles) and the Western Division (14.26 miles) is taken at our minimum period of one year, and interest was allowed at the rate of 3 per cent, assuming that the entire construction capital was tied up during one half of the construction period on Classes 3 to 53, inclusive. This does not, however, constitute the entire amount estimated as being chargeable to this account, for the reason that all interest and commission expenses incurred on account of the acquisition of lands is included in the reproduction value of such lands. There is thus included an interest item in the reproduction value of the land or \$114,336.04. This figure is based on the assumption that the money spent on account of right of way and station grounds will be tied up during the entire construction period. On this particular road this assumption coincides very closely with the facts. This method, nevertheless, is extremely liberal to the company, in that interest is figured not on the actual amount of money spent for the land, but on the present railroad value, which is the present market value of the land plus the so-called railroad multiple and plus an additional 10 per cent for ex-

penses and costs for acquisition. The account "Other Expenditures" covers cost estimates of general office expenses, insurance and taxes, and an allowance of one half of one per cent on Classes 3 to 53 is made for these items. The company in its reproduction value estimate again assumed that to reproduce this item it would necessitate the same expenditures as were made in connection with actual construction.

In the engineering department's estimate an allowance is also made for contingencies, and to the reproduction value total for each account the following percentages were added:

		Per cent
4	Grading .....	5
5	Tunnels .....	5
6	Steel bridges and trusses .....	*1
6	Pile and frame trestles .....	5
6	Culverts .....	5
7	Ties .....	2
8	Rails .....	1
9	Frogs and switches .....	1
10	Track fastenings and other material .....	1
11	Ballast .....	5
12	Track laying and surfacing .....	5
13	Roadway tools .....	2½
14	Fencing right of way .....	2½
15	Crossings and signs .....	2½
16	Interlocking plants .....	2½
16	Signal apparatus .....	2½
17	Telegraph and telephone lines .....	†1
18	Station buildings and fixtures .....	2½
18	Platforms, walks, paving and curb .....	2½
19	General office buildings and fixtures .....	2½
20	Shop buildings and engine houses .....	2½
20	Transfer and turntables, cinderpits, etc. ....	2½
20	Miscellaneous shop buildings and structures .....	2½
21	Shop machinery and tools .....	1
22	Water stations .....	2½
23	Fuel stations .....	2½
24	Grain elevators .....	2½
25	Storage warehouses .....	2½
26	Dock and wharf property .....	2½
27	Electric plants .....	2½
28	Electric power plants .....	2½
29	Electric power transmission .....	1
30	Gas-producing plants .....	2½
31	Miscellaneous structures .....	2½
37	Steam locomotives .....	1
38	Electric locomotives .....	1
39	Passenger train cars .....	1
40	Freight train cars .....	1
41	Work equipment .....	1
42	Floating equipment .....	1
44	Stationery and printing .....	1
	All other accounts and classes .....	0

\*1 per cent on steel—5 per cent on balance of structure.

†1 per cent on material—5 per cent on labor.

This item, for the entire operative line in the State of California, amounts to \$20,186.32.

After a careful consideration of all the evidence in the case bearing on the matter of reproduction value, including the supplemental investigations which were conducted by the engineering department, under the Commission's direction, we find that the "reproduction value," as that term is herein defined, of the operative property of the San Diego and Arizona Railway Company within the State of California, as of June 30, 1912, is the sum of \$1,557,156.47. This sum is apportioned to San Diego County with \$1,281,320.07 and to Imperial County with \$275,836.40.

It would seem desirable to determine, if possible, the cost to reproduce the entire property of this company, both in California and in Mexico. The investigation into this matter, both in this case and in the bond application, No. 808, leads to the conclusion that it is fair to take the original book cost and add to this total the proportional increase in the values of right of way and all other operative and non-operative real estate. These figures, then, as nearly as they can be ascertained, are as follows:

Total original cost, as shown heretofore.....	\$4,504,040 73
Increase in land value over original cost to June 30, 1912, approximately .....	1,400,000 00
Total of all property .....	\$5,904,040 73

In estimating the increase over original cost, due to the appreciation in land values, there is added for appreciation in Mexico less than \$40,000.00. The total increase in the value of operative and non-operative rights of way, real estate and station grounds in California alone amounts to nearly one and a half million dollars. The extreme importance of the factor of unearned increment is forcibly shown in the foregoing statement, and this matter will be referred to again under the following heading, "present value."

#### 6. Present Value.

As under "reproduction value," the engineering department's report goes into the details of the items making up the "present value" of the company's railroad only for the operative property of the line in the State of California. The company's and the engineering department's last estimate compare as follows:

As reported by the railway company for its line in California, as of June 30, 1912, and including certain non-operative property .....	\$3,251,207 02
As estimated by the engineering department, as of the same date, and exclusive of non-operative property.....	1,535,106 49
Difference .....	\$1,716,100 53

This difference again consists of the identical items shown under the headings "original cost" and "reproduction value"; and the difference for each account can be had by comparing Exhibits "A" and "C."

In accordance with the definition of the term "present value," as adopted by the Commission, this value is in reality the depreciated and appreciated reproduction cost. In ascertaining the present value of such physical items as are subject to depreciation, the engineering department, as is usual in valuation cases, ascertained as far as possible the age of the particular item, and applied such percentages for depreciation as the investigations covering this State have shown to be proper. Other factors, such as special conditions, minimum usable value, and scrap value, are also given consideration, and in cases where the age or the life of physical elements cannot be ascertained, as also in all other cases, weight is given to the physical inspection of such property.

This road is of very recent construction, and the depreciation, where it has occurred, is very largely offset by appreciation in other classes of property. If the total present value is compared with the total original cost, it will be found that the former exceeds the latter by over \$300,000.00. The largest item of appreciation is in the land accounts. The present value of lands is made equal to the reproduction value, as is usual in cases of this kind.

The importance of the increase in real estate values, the unearned increment, is forcibly brought out in this valuation, and we feel that it is necessary to repeat again that in cases of this kind the Commission merely tries as best it can to ascertain facts without committing itself to statements as to how these facts should be applied in a rate fixing inquiry, in the matter of issuance of securities, or in any other proceeding in which a valuation would be in evidence. The Supreme Court of the United States has held, in the so-called Minnesota Rate Cases, that railroad companies would be receiving all to which they were entitled if they were given, in a rate fixing inquiry, a value "equal to the fair average market value of similar land in the vicinity, without additions, by the use of multipliers, or otherwise, to cover hypothetical outlays." In this particular case a certain amount of land, both operative and non-operative, is shown to have been acquired at an original cost of approximately \$664,000.00, and this identical land in less than five years is shown to have become worth nearly \$1,700,000.00, an increase in value of over \$1,000,000.00.

Another item which is assumed to increase in value with age, is grading, and an allowance for solidification and seasoning on all grading quantities is made. Earth and loose rock are appreciated at the rate of 2 per cent per year, until a maximum of 10 per cent is reached, and

solid rock is appreciated at the rate of 1 per cent per year, until a maximum of 5 per cent is reached.

A liberal method is also pursued by the engineering department in its treatment of the so-called overhead expenditures, namely, engineering, law, interest and commissions, and general expenditures, which are not depreciated, and are shown with equal amounts under both "reproduction value" and "present value."

From the facts in evidence in this case, we therefore find that the "present value," as that term has heretofore been defined, of the physical elements of the San Diego and Arizona Railway Company, including engineering, law expenses, and contingencies, as of June 30, 1912, is the sum of \$1,535,106.49. This amount is apportioned to San Diego County with \$1,259,300.51 and to Imperial County with \$275,805.98.

If the present value of the property as a whole, both in California and in Mexico, is to be determined, the fact must not be lost sight of that a large portion of the line is now under construction, and that the original cost of the property, if construction is carried on economically and efficiently, should be very nearly equal to the present value. This should be practically true of all items with the exception, of course, of right of way and station grounds and real estate. As nearly as the present value of the entire property can be ascertained, it would therefore be as follows:

1. All property, both operative and non-operative, in the State of California, as of June 30, 1912-----	\$3,364,793 59
2. All property, both operative and non-operative, in Mexico, and all other property and assets as outlined under "original cost," approximately-----	2,517,197 16
<b>Total -----</b>	<b>\$5,881,990 75</b>

Item 2 is calculated by adopting for present value the identical figures as for reproduction value, except that depreciation has been deducted. This depreciation is the difference between the reproduction value column and the present value column in "Exhibit C."

#### NON-OPERATIVE PROPERTY IN CALIFORNIA.

The importance of the non-operative property in the valuation of this road has been brought out heretofore. The engineering department, under the definitions of terms of cost and value, as given, found it necessary to make a segregation as between the operative and the non-operative line, and "Exhibit D" shows this segregation in detail.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of California.

Dated at San Francisco, California, this 4th day of April, 1914.



## EXHIBIT "A."

Name of owner, San Diego and Arizona Railway Co.; operating company, San Diego and Arizona Railway Co. and Holton Interurban Railway Co.; division, Western and Eastern; entire line in California: miles main line track, 24.15; miles second track, .66; miles yard tracks, etc., 5.19; total, 30.21 miles.  
Valuation as of June 30, 1912; compiled by company; date compiled, September 12, 1912.

Class No.	Form No.	I. C. C. Assn. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....	\$971,125 65	\$2,286,421 64	-----	\$2,285,421 64
2	2	3	Real estate.....	-----	-----	-----	-----
3	3	4	Grading.....	197,952 92	197,952 92	-----	198,069 00
4	4	5	Tunnels.....	-----	-----	-----	-----
5	5	6	Steel bridges and trusses.....	22,727 60	22,727 60	-----	21,715 50
6	6	6	Pile and frame trestles.....	68,483 77	68,483 77	-----	66,741 53
7	7	6	Culverts.....	6,263 26	6,263 26	-----	6,078 70
8	8	7	Ties.....	83,275 53	83,275 53	-----	78,090 77
9	9	8	Rails.....	148,612 85	148,612 85	-----	145,254 00
10	10	9	Frogs and switches.....	6,193 84	6,193 84	-----	6,067 87
11	11	10	Track fastenings and other material.....	48,251 43	47,886 34	-----	45,717 40
12	12	11	Ballast.....	5,048 65	5,048 65	-----	5,553 51
13	13	12	Tracklaying and surfacing.....	60,426 40	38,525 41	-----	38,525 41
14	14	13	Roadway tools.....	575 10	575 10	-----	517 59
15	15	14	Fencing right of way.....	4,304 69	4,304 69	-----	4,257 93
16	16	15	Crossings and signs.....	3,245 73	3,245 73	-----	2,848 21
17	17	16	Interlocking plants.....	-----	-----	-----	-----
18	18	16	Signal apparatus.....	-----	-----	-----	-----
19	19	17	Telegraph and telephone lines.....	1,628 96	1,628 96	-----	488 69
20	20	18	Station buildings and fixtures.....	54 73	54 73	-----	54 73
21	21	18	Platforms, walks, paving and curb.....	-----	-----	-----	-----
22	22	19	General office buildings and fixtures.....	2,469 61	2,469 61	-----	1,632 39
23	23	20	Shop buildings and engine houses.....	1,669 18	1,669 18	-----	1,251 88
24	24	20	Transfer and turntables, cinder pits, etc.....	39 73	39 73	-----	33 77
25	25	20	Miscellaneous shop buildings and structures.....	1,576 35	1,576 35	-----	1,294 61
26	26	21	Shop machinery and tools.....	591 96	591 96	-----	532 77
27	27	22	Water stations.....	632 17	632 17	-----	477 70
28	28	23	Fuel stations.....	731 57	731 57	-----	616 85
29	29	24	Grain elevators.....	-----	-----	-----	-----
30	30	25	Storage warehouses.....	-----	-----	-----	-----
31	31	26	Dock and wharf property.....	2,802 09	2,802 09	-----	-----
32	32	27	Electric light plants.....	-----	-----	-----	-----
33	33	28	Electric power plants.....	-----	-----	-----	-----
34	34	29	Electric power transmission.....	-----	-----	-----	-----
35	35	30	Gas producing plants.....	-----	-----	-----	-----
36	36	31	Miscellaneous structures.....	26,514 09	26,514 09	-----	20,665 63
Total classes 1 to 36, inclusive.....				\$1,665,197 86	\$2,958,327 77	-----	\$2,932,878 08
37	37	1	Engineering, 6.5 per cent, 1 to 36, inclusive.....	108,563 12	108,563 12	-----	108,563 12
38	38	32	Transportation of men and material.....	449 53	449 53	-----	449 53
39	39	33	Repair of equipment.....	1,166 82	1,166 82	-----	1,166 82
40	40	34	Repairs of equipment.....	1,494 72	1,494 72	-----	1,494 72
41	41	35	Earning and operating expenses during construction.....	316 76	-----	-----	-----
42	42	35 1/2	Injuries to persons.....	55 55	-----	-----	-----
43	43	36	Cost of road purchased.....	-----	-----	-----	-----
Total classes 1 to 43, inclusive.....				\$1,776,610 84	\$3,070,001 96	-----	\$3,044,552 27
44	44	37	Steam locomotives.....	14,283 79	14,283 79	-----	13,020 51
45	45	38	Electric locomotives.....	-----	-----	-----	-----
46	46	39	Passenger train cars.....	-----	-----	-----	-----
47	47	40	Freight train cars.....	46,200 57	46,200 57	-----	41,684 19
48	48	41	Work equipment.....	11,324 68	11,324 68	-----	9,126 85
49	49	42	Floating equipment.....	-----	-----	-----	-----
Total classes 1 to 49, inclusive.....				\$1,848,419 88	\$3,141,811 00	-----	\$3,108,883 82
50	50	43	Law expenses, 1.6 per cent, classes 1 to 36, inclusive.....	27,129 51	27,129 51	-----	27,129 51
51	51	44	Stationery and printing.....	2,800 09	2,800 09	-----	2,800 09
52	52	44	Insurance.....	625 44	625 44	-----	625 44
53	53	45	Taxes.....	63,109 37	63,109 37	-----	63,109 37
Total classes 1 to 53, inclusive.....				\$1,942,174 29	\$3,235,565 41	-----	\$3,202,138 23
54	54	47	Interest and commission, 1.7 per cent, classes 1 to 53, inclusive.....	53,369 27	53,369 27	-----	53,369 27
55	55	48	Other expenditures.....	15,699 52	15,699 52	-----	15,699 52
56	56	48	Contingencies, . . . per cent, classes 1 to 53, inclusive.....	-----	-----	-----	-----
57	57	46	Stores and supplies on hand for use in California.....	-----	-----	-----	-----
Grand total for State of California.....				\$1,991,243 08	\$3,284,634 20	-----	\$3,251,207 02
Average per mile for main line track.....				81,441 47	134,340 86	-----	132,973 70

## EXHIBIT "B."

Name of owner, San Diego and Arizona Railway Co.; operating company, San Diego and Arizona Railway Co. and Holton Interurban Railway Co.; division, Western and Eastern; valuation unit, entire line in California; from San Diego to Tia Juana and from Seeley westward; counties, San Diego and Imperial.  
Valuation as of June 30, 1912, submitted with report of Paul Thelen, Assistant Engineer; date compiled, November, 1913; main line first track, 21.45 miles; main line second track, .66 miles; yard tracks, sidings, etc., 5.19 miles; total, 30.21 miles.

## Operative property.

Class No.	Form No.	I. C. C. Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	1	1	Engineering	\$38,692 10	\$32,078 41		\$32,078 41
1	1	2	Right of way and station grounds	267,173 43	729,576 63		729,576 63
2	2	3	Real estate				
3	3	4	Grading	175,640 34	170,749 75		180,601 30
4	4	5	Tunnels				
5	5	6	Steel bridges and trusses	12,428 23	13,575 80		13,128 94
6	6	6	Pile and frame trestles	68,483 77	54,224 19		52,174 38
7	7	6	Culverts	16,502 63	18,016 52		17,483 06
8	8	7	Ties	88,275 33	79,518 47		75,721 74
9	9	8	Rails	149,811 11	165,668 35		162,410 61
10	10	9	Frogs and switches	6,193 84	5,021 40		4,865 95
11	11	10	Track fastenings and other material	48,251 43	48,253 68		47,198 33
12	12	11	Ballast	5,048 65	5,805 04		4,126 52
13	13	12	Tracklaying and surfacing	60,426 40	40,601 63		38,552 69
14	14	13	Roadway tools	575 10	589 48		530 53
15	15	14	Fencing right of way	4,504 69	2,840 44		2,818 79
16	16	15	Crossings and signs	3,245 73	1,803 41		1,659 89
17	17	16	Interlocking plants				
18	18	16	Signal apparatus				
19	19	17	Telegraph and telephone lines		1,675 08		502 52
20	20	18	Station buildings and fixtures	54 73	544 41		521 60
21	21	18	Platforms, walks, paving and curb				
22	22	19	General office buildings and fixtures	2,469 61	2,531 35		1,673 20
23	23	20	Shop buildings and engine houses	1,669 18	1,710 91		1,539 80
24	24	20	Transfer and turntables, cinder pits, etc.	39 73	40 72		36 65
25	25	20	Miscellaneous shop buildings and structures	1,576 35	1,083 14		940 09
26	26	21	Shop machinery and tools				
27	27	22	Water stations	591 96	586 26		527 63
28	28	23	Fuel stations	530 77	544 04		481 70
29	29	24	Grain elevators	731 57	647 77		587 50
30	30	25	Storage warehouses				
31	31	26	Dock and wharf property				
32	32	27	Electric light plants				
33	33	28	Electric power plants				
34	34	29	Electric power transmission				
35	35	30	Gas producing plants				
36	36	31	Miscellaneous structures	26,372 77	25,956 44		20,928 07
38	37	32	Transportation of men and material	449 53			
39	38	33	Rent of equipment	1,196 82			
40	38	34	Repairs of equipment	1,494 72			
41	35	35	Earning and operating expenses during construction	36 76			
42	35	35	Injuries to persons	55 55			
43	36	36	Cost of road purchased				
44	39	37	Steam locomotives	21,558 03	21,774 59		20,168 69
45	39	38	Electric locomotives				
46	40	39	Passenger train cars				
47	41	40	Freight train cars	69,731 85	73,948 49		67,042 95
48	42	41	Work equipment				
49	43	42	Floating equipment				
50	43	43	Law expenses	27,129 51	6,415 68		6,415 68
51	44	44	Stationery and printing	1,797 08			
52	44	45	Insurance	625 44			
53	45	46	Taxes	15,079 12			
54	45	47	Interest and commission	33,669 27	23,273 56		23,273 56
55	45	48	Other expenditures	15,669 62	3,878 92		3,878 92
57	46		Stores and supplies on hand for use in California		544 08		544 08
Grand total				\$1,162,010 23	\$1,533,058 64		\$1,512,022 20
Average per mile for main line track				47,525 98	62,701 79		61,841 40
Total classes 3 to 36, inclusive				698,804 12	641,568 28		629,043 28
Total classes 3 to 33, inclusive				807,075 91	775,785 45		754,749 01
Total classes 44 to 48, inclusive				91,200 78	95,723 08		87,211 64

## EXHIBIT "C."

Name of owner, San Diego and Arizona Railway Co.; operating company, San Diego and Arizona Railway Co. and Holton Interurban Railway Co.; division, Western and Eastern; valuation unit, entire line in California; from San Diego to Tia Juana and from Seeley westward; counties, San Diego and Imperial.

Valuation as of June 30, 1912, submitted with report of February 7, 1914, by Paul Thelen, Assistant Engineer; date compiled, January, 1914; main line first track, 24.45 miles; main line second track, .66 miles; yard tracks, sidings, etc., 5.19 miles; total, 30.21 miles.

## Operative property.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	1	1	Engineering	\$38,692 10	\$33,201 46		\$33,201 46
2	1	2	Right of way and station grounds	299,065 86	729,576 62		729,576 62
3	2	3	Real estate				
3	3	4	Grading	175,690 34	179,889 51		189,307 94
4	4	5	Tunnels				
5	5	6	Steel bridges and trusses	12,428 23	12,336 37		12,136 97
6	6	6	Pile and frame trestles	68,483 77	62,534 29		60,304 24
7	7	6	Culverts	16,522 63	19,506 65		18,742 74
8	8	7	Ties	83,275 53	87,852 24		83,612 00
9	9	8	Rails	148,612 85	152,247 41		152,312 09
10	10	9	Frogs and switches	6,193 84	5,728 87		5,331 49
11	11	10	Track fastenings and other material	48,251 43	43,795 02		42,275 39
12	12	11	Ballast	5,048 65	12,458 38		10,063 68
13	13	12	Tracklaying and surfacing	60,426 40	41,032 90		39,285 15
14	14	13	Roadway tools	575 10	589 48		530 53
15	15	14	Fencing right of way	4,304 69	3,973 93		3,947 74
16	16	15	Crossings and signs	3,245 73	3,847 73		3,539 73
17	17	16	Interlocking plants				
18	18	16	Signal apparatus				
19	19	17	Telegraph and telephone lines				
20	20	18	Station buildings and fixtures	54 73	56 10		53 85
21	21	18	Platforms, walks, paving and curb				
22	22	19	General office buildings and fixtures	2,469 61	2,531 35		1,673 20
23	23	20	Shop buildings and engine houses	1,669 18	1,710 91		1,539 80
24	24	20	Transfer and turntables, cinder pits, etc.	39 73	40 72		36 65
25	25	20	Miscellaneous shop buildings and structures	1,576 35	1,615 76		1,435 24
26	26	21	Shop machinery and tools	591 90	597 88		538 10
27	27	22	Water stations	530 77	544 04		481 70
28	28	23	Fuel stations	731 57	749 86		669 17
29	29	24	Grain elevators				
30	30	25	Storage warehouses				
31	31	23	Dock and wharf property				
32	32	27	Electric light plants				
33	33	28	Electric power plants				
34	34	29	Electric power transmission				
35	35	30	Gas producing plants				
36	36	31	Miscellaneous structures	26,372 77	27,180 71		22,143 20
38	37	32	Transportation of men and material	449 53			
39	38	33	Rent of equipment	1,160 82			
40	38	34	Repairs of equipment	1,494 72			
41	35		Earning and operating expenses during construction	316 76			
42	35		Injuries to persons	55 55			
43	36		Cost of road purchased				
44	39	37	Steam locomotives	21,568 93	21,774 59		20,168 69
45	38		Electric locomotives				
46	40	39	Passenger train cars				
47	41	40	Freight train cars	69,731 85	73,948 57		67,043 08
48	42	41	Work equipment				
49	43	42	Floating equipment				
50	43		Law expenses	27,129 51	6,640 29		6,640 29
51	44	44	Stationery and printing	1,797 08			
52	41	45	Insurance	625 44			
53	45	46	Taxes	15,079 12			
54	47		Interest and commission	33,369 27	23,987 82		23,987 82
55	45	48	Other expenditures	15,099 52	3,997 98		3,997 98
57	46		Stores and supplies on hand for use in California				
Grand total (operative)				\$1,192,704 40	\$1,557,156 47		\$1,535,106 49
Average per mile for main line track							
Total classes 3 to 33				667,105 86	664,029 14		670,500 80
Total classes 3 to 53				844,599 75	799,594 05		777,534 07
Total classes 3 to 57				893,638 54	827,579 85		805,539 87
Grand total of operative and non-operative for comparison with company's estimate only				2,020,010 75	3,386,843 57		3,364,793 59

## EXHIBIT "D."

Name of owner, San Diego and Arizona Railway Co.; operating company, same; non-operative property charged to road and equipment accounts; entire line in California; counties, San Diego and Imperial.

Valuation as of June 30, 1912; submitted with report of February 7, 1914, by Paul Thelen, Assistant Engineer; date compiled, January, 1914; main line first track, 24.45 miles; main line second track, .66 miles; yard tracks, sidings, etc., 5.19 miles; total, 30.21 miles.

## Non-operative—original cost.

Class No.	Form No.	I. C. C. Acct. No.	Classes	Western Division	Eastern Division	Cond. per cent	Entire line—California
37	1	1	Engineering	\$47,543 34	22,673 67		70,217 01
1	2	2	Right of way and station grounds	663,960 58			663,960 58
2	3	3	Real estate		8,069 21		8,069 21
3	4	4	Grading	22,292 58			22,292 58
4	5	5	Tunnels				
5	6	6	Steel bridges and trusses				
6	7	7	Pile and frame trestles				
7	8	8	Culverts				
8	9	9	Ties				
9	10	10	Rails				
10	11	11	Frogs and switches				
11	12	12	Track fastenings and other material				
12	13	13	Ballast				
13	14	14	Tracklaying and surfacing				
14	15	15	Roadway tools				
15	16	16	Fencing right of way				
16	17	17	Crossings and signs				
17	18	18	Interlocking plants				
18	19	19	Signal apparatus				
19	20	20	Telegraph and telephone lines	1,628 96			1,628 96
20	21	21	Station buildings and fixtures				
21	22	22	Platforms, walks, paving and curb				
22	23	23	General office buildings and fixtures				
23	24	24	Shop buildings and engine houses				
24	25	25	Transfer and turntables, cinder pits, etc.				
25	26	26	Miscellaneous shop buildings and structures				
26	27	27	Shop machinery and tools				
27	28	28	Water stations	101 40			101 40
28	29	29	Fuel stations				
29	30	30	Grain elevators				
30	31	31	Storage warehouses				
31	32	32	Dock and wharf property	2,456 10			2,456 10
32	33	33	Electric light plants				
33	34	34	Electric power plants				
34	35	35	Electric power transmission				
35	36	36	Gas producing plants				
36	37	37	Miscellaneous structures				
37	38	38	Transportation of men and material				
38	39	39	Rent of equipment				
39	40	40	Repairs of equipment				
40	41	41	Earning and operating expenses during construction				
41	42	42	Injuries to persons				
42	43	43	Cost of road purchased				
43	44	44	Steam locomotives				
44	45	45	Electric locomotives				
45	46	46	Passenger train cars				
46	47	47	Freight train cars				
47	48	48	Work equipment	21,365 84			21,365 84
48	49	49	Floating equipment				
49	50	50	Law expenses				
50	51	51	Stationery and printing	1,862 23	604 31		1,862 23
51	52	52	Insurance				
52	53	53	Taxes	35,322 44	30 04		35,322 44
53	54	54	Interest and commission				
54	55	55	Other expenditures				
55	56	56	Stores and supplies on hand for use in California				
56	57	57	Grand total	\$795,899 12	\$31,407 23		\$827,306 35
57	58	58	Average per mile for main line track				

Reproduction value estimated same as original cost save for lands.

\$723,960 58 o. c. equals \$1,671,480 54 r. v.

8,069 21 o. c. equals 2,960 00 r. v.

\$727,029 79 \$1,674,440 54

Western Division reproduction value estimate is \$1,803,419 08

Eastern Division reproduction value estimate is 26,268 02

Entire line in California reproduction value estimate is 1,829,687 10

## DECISION No. 1407.

IN THE MATTER OF THE APPLICATION OF VENTURA COUNTY POWER COMPANY FOR AN ORDER AUTHORIZING INCREASE IN RATES FOR WATER DELIVERED THROUGH ITS MOUND SYSTEM IN VENTURA COUNTY.

---

Application No. 635.

*Decided April 6, 1914.*

---

Applicant on purchasing Mound Water Company contracted to deliver to the stockholders of the Mound Company a certain amount of water at a stated price, and now petitions the Commission for permission to increase this rate.

*Held*, That though the Commission has the power of supervision over rates irrespective of any contract entered into between consumers and the utility, owing to the fact that applicant obtained this water system at a greatly reduced figure from its original cost under this contract, and no other consumers being affected, application denied.

*Hiatt & Selby*, for Applicant.

*Merle J. Rogers*, for certain Mound System consumers.

*Orestes Orr*, for George Cook and J. H. Chaffee.

*W. H. Barnes*, for George E. Power.

*J. C. Daly*, for H. H. Neel and Joseph Daly.

## REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

The Ventura County Power Company is a public service corporation which is delivering water and distributing power in the county of Ventura.

The Mound Water Company was organized in 1904, by certain landowners in the Mound District in Ventura County, with the general power to develop, distribute and sell water, and to acquire such real estate as may be incident to the purpose of the corporation. It is urged by those representing the consumers in this case that this company is a purely mutual concern organized to deliver water to its stockholders only. At the first meeting of its stockholders held on November 22, 1904, by resolution the following by-law was adopted:

“The object of this corporation shall be for the development and distribution of waters to the stockholders prorated to the number of shares held by each individual under such rules and regulations as shall be adopted by the board of directors and sanctioned by a two-thirds vote of all the subscribed capital stock of the corporation at the stockholders’ meeting.”

At this same meeting another by-law was adopted empowering the board of directors "to declare dividends out of the surplus profits when such profits shall, in the opinion of the directors, warrant the same."

In 1906, by-law No. 32 was adopted, which reads as follows:

"Without injury to any right of any stockholder to the use of his share of water, the company may sell or furnish water for irrigation, preference being given to the original shareholder in the allotment."

At the same meeting a minute to the following effect is found in the report of the proceedings in the minutes of the corporation:

"The discussion of water rates, etc., was entered into quite generally; as a result Judge Daly moved, seconded by A. Price, that the summer rates be 50 cents per miner's inch for stockholders and 80 cents for non-stockholders, the summer period being the months of June, July and August, and winter rates 30 cents for stockholders and 45 cents for non-stockholders; after a heated discussion and a second ballot the resolution was adopted by the unanimous vote of all the stock present represented."

The evidence shows that water was actually sold by the Mound Water Company prior to the time the applicant herein secured control of the system, and I believe, from the evidence, that this company conducted itself when in the control of this supply of water in a way that would make it a public utility even though it had not had dealings with the Ventura County Power Company, admittedly a public utility, which led to the conveyance of its system to said Ventura County Power Company.

On February 1, 1907, a contract was entered into between Mound Water Company and the Ventura County Power Company. Certain persons, designated as stockholders of Mound Water Company, are called third parties, but none of them signed the instrument. This contract recites the ownership of certain described lands by these third parties; that negotiations have been pending among the parties, and that at a meeting of the stockholders a resolution was adopted, which is set out in full, authorizing the transfer of the property of the Mound Water Company to the Ventura County Power Company, and a like resolution of the board of directors; and then the contract proceeds as follows:

"Now, therefore, said party of the first part (Mound Water Company) does by these presents grant, sell, assign and transfer unto said party of the second part (Ventura County Power Company) its successors and assigns all and singular the following property and rights, to wit."

Then follows a particular description of the land, wells, pumping plant, rights of way and distributing systems formerly owned by Mound Water Company, including a recital of the agreement with the Southern

Pacific Company and a copy of a lease to J. V. Alvord; then follows the conveyance by the Ventura County Power Company to the Mound Water Company of certain water or water rights in the following terms:

"Said party of the second part (Ventura County Power Company) does . . . hereby grant, sell, assign and transfer unto said party of the first part (Mound Water Company) for the use of said parties of the third part (stockholders of Mound Water Company) . . . 150 miner's inches of water to be delivered by said party of the second part, its successors and assigns, and measured on said lands of said parties of the third part at and for the rate and price of twenty-five (25¢) cents per miner's inch."

In the next paragraph it is agreed that said 150 inches of water—"herein granted to said party of the first part . . . is and shall be an absolute right in said party of the first part and its said stockholders to have said 150 inches of water so delivered by said party of the second part on the said lands of said parties of the third part either from the present system and source of supply of said party of the first part, or from any other water, system, or source of supply now owned or controlled or which may hereafter be owned or controlled by said party of the second part, its successors or assigns."

And in the next paragraph the penalty for the failure, refusal or neglect of the Ventura County Power Company to deliver the water to the stockholders of the Mound Water Company is provided as follows:

"Then in that event said party of the first part and said parties of the the third part shall have the right and privilege to take said water from any source of supply of water owned or controlled by said party of the second part, its successors and assigns, and to convey and conduct the same to said lands of said parties of the third part by and through the conduits and system of said party of the second part at the cost and expense of said party of the second part."

Further on in the instrument the parties of the third part, the stockholders of the Mound Water Company, are given:

"The first or preferred right to purchase any additional water which the second party shall have for sale from any source whatever, and it is agreed that the price to them shall be no higher than the minimum price to others."

Whatever may have been the position of the Mound Water Company before the execution of this instrument with respect to its relation to its stockholders, still by the conveyance here discussed, by resolution of both the stockholders and the board of directors of said Mound Water Company, relationships were assumed with a public service water company, which relationships must be substituted for the relationship existing theretofore between the Mound Water Company and its stockholders; and the net result of the transfer is to place the stockholders

of the Mound Water Company, as stockholders and individuals, in a position where if they did have private water rights as stockholders of a mutual water company, yet they have been divested of the title to these water rights by reason of this conveyance. For the legal title to all of the property here involved was, of course, in the Mound Water Company, and it is only by reason of being stockholders in the Mound Water Company that the consumers of water have any rights in such water. It has been uniformly held that a mutual water company is the agent of its stockholders, and where, as here, with the consent of its stockholders such agent conveys all of the property of the corporation to another corporation, the relationship that theretofore existed between the stockholders of the mutual company and the mutual company does not continue to exist between the stockholders of the mutual company and the purchasing company. The Ventura County Power Company, as a public utility, purchased all of this property from those legally empowered to sell, and takes such property only subject to the terms and conditions in the conveyance, and not subject to the terms of any arrangement between the stockholders of the company from whom the purchase is made and such selling corporation.

Therefore, I am of the opinion that the users of water under the Mound System now occupy the relationship of consumers to the public service water company, the Ventura County Power Company having, however, a contract for which a valid consideration was given obligating the Ventura County Power Company to act in a certain way toward such consumers. The effect of such contracts has been discussed several times by this Commission, and we have taken the position that such contracts do not prevent this Commission from exerting the inherent power of the State to fix rates, and we have proceeded to do so in the face of such contracts when the public necessity seemed to require.

In the present case, however, the evidence shows that the Ventura County Power Company purchased this property for a sum considerably less than its cost, and obligated itself to continue the delivery of water to these consumers at a certain rate. No other consumers are affected by this obligation, and it is my opinion that the contract is one such as this Commission should not feel called upon to disturb. The evidence shows that approximately \$70,000.00 was expended in the construction of this system, and that the Ventura County Power Company paid \$34,066.53 for it, and no one but the contracting parties are affected. Even though the rate imposed in this contract is less than could be legally exacted if the contract did not exist, still I do not believe under all the facts of the case the Ventura County Power Company is in a position to urge its repudiation. Neither the consumers of water from this system nor any one else being adversely affected by the maintenance



of the present conditions, I recommend that until such a change occurs in the conditions which now exist as will warrant a change in the rates here involved, the present rates be maintained in effect.

I submit the following order:

**ORDER.**

Ventura County Power Company having applied to this Commission for an order authorizing increase in rates for water delivered through its Mound System in Ventura County; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that said Ventura County Power Company has not justified its right to increase the rates aforesaid. And basing this order on the foregoing finding of fact,

*It is hereby ordered* that the application herein be and same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 6th day of April, 1914.

---

DECISION No. 1408.

IN THE MATTER OF THE ONE-WAY, ROUND-TRIP AND COMMUTATION FARES AND THE RULES AND REGULATIONS AFFECTING THE SAME OF THE NORTHWESTERN PACIFIC RAILROAD COMPANY FOR THE TRANSPORTATION OF PASSENGERS BETWEEN ALL POINTS ON THE SOUTHERN DIVISION OF SAID NORTHWESTERN PACIFIC RAILROAD COMPANY, AND OF THE PRACTICE OF THE NORTHWESTERN PACIFIC RAILROAD COMPANY IN CHARGING FOR THE TRANSPORTATION OF PASSENGERS, FARES LESS THAN THE FARES PROVIDED IN ITS PASSENGER FARE SCHEDULES ON FILE WITH THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

---

Case No. 333.

*Decided April 7, 1914.*

---

*Held*, That the basis for readjustment of passenger rates on its Southern Division, filed by Northwestern Pacific Railroad Company for the approval of Commission in accordance with the previous order herein, does not eliminate the discriminations existing therein. Just and reasonable commutation and one-way rates prescribed by the Commission to become effective within thirty days.

*Held*, Northwestern Pacific Railroad Company directed to prepare and file, for certain prescribed months, a record of traffic and a statement of revenues under the present rates and the new rates ordered into effect, and also as estimate under a tentative schedule.

*Lilienthal, McKinstry & Raymond* and *Joseph Haber*, for Northwestern Pacific Railroad Company.

*Carlos P. Griffin*, for Corte Madera Improvement Club.

*Edward I. Butler* and *E. O. Allen*, for the Town of San Rafael.

*O. T. Melden*, for the Town of Larkspur.

*Marcus Rosenthal*, for California Schuetzen Park Building Association.

*Thomas E. Hayden* and *J. J. Mazza*, for Novato.

*George F. Cosby*, for North San Anselmo Improvement Club.

*E. E. Wood*, for school authorities of Marin County.

*S. M. Augustine*, for Marin County Civic League.

*Royal A. Vitousek*, for commuters north of Santa Rosa.

#### REPORT OF THE COMMISSION.

##### SUPPLEMENTAL OPINION.

THELEN and LOVELAND, *Commissioners*.

On May 14, 1913, the Commission issued an order in this matter, wherein it required the Northwestern Pacific Railroad Company to make certain readjustments in its commutation fares between San Francisco and points in suburban territory and certain other changes in its rules and regulations, and in that order also provided that the said Northwestern Pacific Railroad Company present to this Commission within ninety (90) days from the date of said order, tariffs eliminating the inequalities and inconsistencies in the one-way, round-trip and commutation fares between points on its Southern Division, except the commutation fares which were readjusted by said order.

On August 11, 1913, the Commission issued a supplemental order giving the Northwestern Pacific Railroad Company ninety days additional time in which to present its schedule of proposed readjusted passenger fares to the Commission. In compliance with this provision of the order the Northwestern Pacific Railroad on October 7, 1913, presented to this Commission a basis for readjusting all the fares on its Southern Division, which were not readjusted by the original order of the Commission in this case. This basis was thoroughly checked, and it was found that it did not eliminate the inequalities and inconsistencies existing in the present fares of the Northwestern Pacific Railroad Company, which were the cause of the numerous informal complaints which led the Commission to institute an investigation on its own motion into these fares and which the Commission directed be done

in its order. Further, the basis proposed numerous increases in fares, which have not been justified by the Northwestern Pacific Railroad Company as required under the provisions of section 63 of the Public Utilities Act. For these reasons the proposed basis was not approved by the Commission.

The Commission's rate department was then directed to prepare a basis that would bring about the desired consistency in fares and eliminate the discriminations, and at the same time not decrease the carrier's revenue more than was found justifiable by the Commission's investigation in this matter. This basis has been prepared in so far as it has been possible to do so, and we now have reached the following conclusions regarding these matters.

We are of the opinion that the commutation fares charged between points on the Southern Division of the Northwestern Pacific Railroad Company, other than those in suburban territory, which were the subject of a previous order of the Commission, are in many cases unjust, excessive and discriminatory, and we find, after a full consideration of all the facts, that the fares shown in schedule marked "A," attached hereto, are just and reasonable commutation fares to be charged between the points specified, subject to the conditions usually governing such fares.

We are also of the opinion that many of the one-way fares in the "suburban" territory are excessive, unjust and unreasonable, and after a full consideration of all of the facts we find that the one-way fares between points in the suburban territory shown in schedule marked "B," attached hereto, are just and reasonable fares to be charged between the points specified.

We are also of the opinion that before a final conclusion can be reached in the matter of readjusting the one-way and round-trip fares, not affected by this order, complete information as to the traffic moving on such fares is essential and we therefore recommend that the Northwestern Pacific Railroad Company be required to keep a complete record of such traffic for a representative period of six months, taking the months of September and November, 1913, and January, March, May and July, 1914, as fairly representative and to furnish to the Commission within sixty (60) days from July 31, 1914, a record of such traffic and a statement of the revenue therefrom at the present fares and what the revenue therefrom would be were fares as shown in the tentative basis in schedule hereto attached and marked Exhibit "C," finally adopted.

After the data herein called for has been submitted by the Northwestern Pacific Railroad Company, the Commission will make such further supplemental order in this proceeding as it may then find to be just and reasonable.

We submit the following form of order:

**ORDER.**

The Northwestern Pacific Railroad Company having on October 7, 1913, presented to this Commission a basis for passenger fares on its Southern Division, in pursuance of this Commission's order in this proceeding dated May 14, 1913, and it appearing that the proposed basis does not remove the inequalities and discriminations as directed in said order and the Commission having made the findings of fact which are contained in the opinion which precedes this order and the opinion heretofore entered on May 14, 1913, on which findings the order in this case is based,

*It is hereby ordered* that the Northwestern Pacific Railroad Company publish and file in a tariff with this Commission, to become effective thirty (30) days from the date of this order, the commutation fares between points on its Southern Division shown in schedule marked "A," attached hereto, which fares are found to be just and reasonable and are hereby established as just and reasonable fares to be charged;

*And it is further ordered* that the Northwestern Pacific Railroad Company publish and file in a tariff with this Commission, to become effective thirty (30) days from the date of this order, the one-way fares between points in suburban territory shown in schedule marked "B," attached hereto, which fares are found to be just and reasonable and are hereby established as just and reasonable fares to be charged;

*And it is further ordered* that the Northwestern Pacific Railroad Company prepare a complete record of passenger traffic moving on the present one-way and round-trip fares in effect between points on its Southern Division, for the months of September and November, 1913, and January, March, May and July, 1914, and furnish to this Commission within sixty (60) days from July 31, 1914, a record of such traffic and a statement of the revenue therefrom at the present fares, and a statement of what the revenue from such traffic would be were fares as shown in the basis in schedule hereto attached and marked Exhibit "C," finally adopted.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of April, 1914.

## SCHEDULE "A."

Between	And	60-ride— 30-day commutation	46-ride children's commutation
Santa Rosa	Corona	\$6 10	
Santa Rosa	Penn Grove	5 05	\$3 85
Santa Rosa	Cotati	3 70	
Santa Rosa	Fulton	3 00	
Santa Rosa	Mark West	3 00	3 00
Santa Rosa	Windsor	4 40	3 35
Santa Rosa	Grant	6 10	4 65
Santa Rosa	Healdsburg	6 85	5 25
Santa Rosa	Lytton	8 70	6 65
Santa Rosa	Geyserville	10 60	8 10
Santa Rosa	Sebastopol	3 00	
Santa Rosa	Meacham	3 25	3 00
Santa Rosa	Woolsey	3 70	3 00
Santa Rosa	Trenton	4 90	3 75
Santa Rosa	Forestville	5 80	4 45
Santa Rosa	Green Valley	6 60	5 05
Santa Rosa	Cosmo	7 10	5 40
Santa Rosa	Korbel	8 20	6 30
Santa Rosa	Rio Campo	11 15	8 55
Santa Rosa	Hilton	7 50	5 75
Santa Rosa	Rio Nido	8 85	6 80
Santa Rosa	Guerneville	9 60	7 40
Santa Rosa	Monte Rio	11 70	8 90
Santa Rosa	Mesa Grand		9 30
Healdsburg	Windsor	3 00	
Healdsburg	Lytton	3 00	
Healdsburg	Geyserville	3 75	3 00
Geyserville	Lytton	3 00	
Geyserville	Cloverdale	4 50	
Geyserville	McCray	5 10	
Cloverdale	Lytton	6 45	
Cloverdale	Asti	3 00	
Ukiah	Calpella	3 00	
Sonoma	Glen Ellen	3 05	3 00
Woolsey	Green Valley	3 00	3 00
Guerneville	Hilton	3 00	
Guerneville	Korbel	3 00	
Fairfax	Roy	3 00	
McDonald	Tomales	3 00	
Petaluma	Penn Grove	3 00	
Petaluma	Cotati	3 50	
Petaluma	Bellevue	6 15	
Petaluma	Santa Rosa	7 30	
Petaluma	Windsor	11 70	
Petaluma	Healdsburg	14 15	
Petaluma	Sebastopol	10 30	
Petaluma	Meacham	10 55	
Petaluma	Woolsey	11 00	
Petaluma	Trenton	12 20	
Petaluma	Forestville	13 10	
Petaluma	Green Valley	13 90	
Petaluma	Rio Campo	18 40	
Petaluma	Rio Nido	16 15	
Penn Grove	Bellevue	3 85	
Penn Grove	Sebastopol	8 05	
San Rafael	Gallinas	3 00	3 00
San Rafael	Millers	3 00	3 00

## SCHEDULE "A"—Continued.

Between	And	60-ride— 30-day commutation	46-ride children's commutation
San Rafael .....	St Vincent .....	\$3 00	
San Rafael .....	Ignacio .....	3 00	\$3 00
San Rafael .....	Novato .....	5 20	4 00
San Rafael .....	Petaluma .....	10 35	
San Rafael .....	Black Point .....	5 55	4 25
San Rafael .....	Boyes Springs .....	10 50	
San Rafael .....	Glen Ellen .....	15 00	
San Rafael .....	Tiburon .....	3 00	
Novato .....	Ignacio .....	3 00	
Novato .....	Petaluma .....	5 15	
Novato .....	Santa Rosa .....	12 45	

## SCHEDULE "A."

Between SAN FRANCISCO and	60-ride— 30-day commutation	46-ride children's commutation
Glen Park .....	\$5 35	\$4 10
Millers .....	6 50	5 00
St. Vincent .....	6 60	
Ignacio .....	7 45	5 75
Novato .....	8 35	6 40
Petaluma .....	11 55	
Penn Grove .....	13 00	
Cotati .....	13 80	
Santa Rosa .....	16 10	
Fulton .....	17 55	
Healdsburg .....	20 40	
Lytton .....	21 55	
Geyserville .....	22 75	
Black Point .....	8 55	6 55
Vineburg .....	12 70	
Sonoma .....	13 45	
Verano .....	13 80	
Agua Caliente .....	14 30	
Madrone .....	14 75	
Glen Ellen .....	15 35	
Sebastopol .....	18 00	
Bothin .....	6 20	4 75
Woodacre .....	6 60	5 05
Alderney .....	6 65	5 10
San Geronimo .....	6 95	5 30
Lagunitas .....	7 60	5 85
Taylorville .....	8 70	
Tocoloma .....	9 40	
Pt. Reyes .....	10 95	

**SCHEDULE "B."**  
**One-Way Six Months' Fares.**

Between	And	Sausalito	Pine	Waldo	Manzanita	Almonte	Union High School	Locust avenue	Park avenue	Mill Valley	Alto	Chapman	Corte Madera	Baltimore Park	Green Brae	Schuetzen Park	Larkspur	Escallo	Kentfield	Ross
Pine	-----	5																		
Waldo	-----	5	5																	
Manzanita	-----	10	5	5			5	5												
Almonte	-----	10	10	5	5		5	5												
Union High School	-----	10	10	5	5	5														
Locust avenue	-----		10	10	5	5	5													
Park avenue	-----		10	10	10	10	5	5												
Mill Valley	-----																			
Alto	-----																			
Chapman	-----																			
Corte Madera	-----																			
Baltimore Park	-----																			
Green Brae	-----																			
Schuetzen Park	-----																			
Larkspur	-----																			
Escallo	-----																			
Kentfield	-----																			
Ross	-----																			
Bolinas avenue	-----																			
San Anselmo	-----																			
Yolanda	-----																			
Lansdale	-----																			
Pastori	-----																			
Fairfax	-----																			
Highland	-----																			
Westend	-----																			
B street	-----																			
San Rafael	-----																			
San Quentin	-----																			

\*Via San Rafael.

**SCHEDULE "B"—Continued.  
One-Way Six Months' Fares.**

Between	And	Ross	Bollnas avenue	San Anselmo	Yolanda	Landsdale	Pastori	Fairfax	Highland	Westend	B street	San Rafael	San Quentin
Ross	-----												
Bollnas avenue	-----												
San Anselmo	-----		5										
Yolanda	-----		5	5									
Landsdale	-----		5	5	5								
Pastori	-----		10	5	5	5							
Fairfax	-----		10	5	5	5	5						
Highland	-----		10	5	10	10	10	10					
Westend	-----		10	5	10	10	10	10	5				
B street	-----		10	5	10	10	10	10	5	5			
San Rafael	-----		10	5	10	10	10	10	5	5			
San Quentin	-----		*15	*10	*15	*15	*15	*15	*10	*10	*10		

\*Via San Rafael.



**SCHEDULE "C."**

1. One-way first class fares good only for continuous passage commencing on date of sale or day following date of sale should be made on following basis:

a. Between San Francisco, Santa Rosa, Sebastopol, Glen Ellen and Fairfax and intermediate points on the one hand and on the other, all points on Southern Division (exclusive of suburban territory served by electric lines, Donohue branch and narrow gauge line, Fairfax to Monte Rio), Willits and south, main line and branches to and including Cazadero and Markham via Fulton, 2½ cents per mile except when otherwise specifically provided.

b. Between San Francisco, San Rafael, Fairfax and intermediate points on the one hand and points north of Fairfax to and including Monte Rio on the other, 2½ cents per mile.

c. Interstation fares between points on Glen Ellen branch, Ignacio to Glen Ellen inclusive, 3 cents per mile.

d. Interstation fares on Donohue branch 3 cents per mile. Through rates to be made local over Junction.

e. Interstation fares between stations Fulton to Willits, inclusive, and Fulton to Rio Campo, Monte Rio, Cazadero and Markham, inclusive, 3 cents per mile.

f. Interstation fares between Pacheco to Monte Rio, inclusive, 3 cents per mile. Fares to or from all other points on line to or from stations west of Fairfax to Monte Rio, inclusive, will be made on lowest combination on Monte Rio or Fairfax.

2. One-way fares for tickets limited to six (6) months from date of sale and good for stopover within limit should be made 10 per cent higher than the continuous passage fare.

3. Saturday to Monday round-trip fares between all points except between points in suburban territory, should be made one and one half times the continuous trip fare; tickets to be good going on Saturday or Sunday and limited for return on Monday following date of sale.

4. Sunday round-trip fares between all points, except between points in suburban territory, should be once the six months one-way fare; tickets to be good going and returning on Sunday, the day of sale.

NOTE.—In computing fare actual mileage should be used and fares ending in odd cents should be increased or decreased so as to end in an even multiple of 5. Fares ending in 2½ or 7½ cents should be increased to next higher multiple of 5. Fares provided by this basis should be adjusted in conformity with the provisions of the constitution and the Public Utilities Act.

**DECISION No. 1409.**

**IN THE MATTER OF THE APPLICATION OF MARIN COUNTY  
ELECTRIC RAILWAYS FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY FOR THE CONSTRUC-  
TION AND OPERATION OF A STREET RAILWAY SYSTEM  
IN MILL VALLEY, AND FOR AUTHORITY TO ISSUE  
STOCKS AND BONDS.**

**Application No. 947.**

*Decided April 7, 1914.*

Supplemental order granting a certificate of public convenience and necessity to applicant to exercise certain rights under a franchise granted by the town of Mill Valley, and amending original order so as to permit applicant to sell a certain block of stock under conditions previously denied.

REPORT OF THE COMMISSION.  
FIRST SUPPLEMENTAL ORDER.

This Commission having issued its order in the above entitled matter on March 26, 1914, said order having provided that a certificate of public convenience and necessity be granted to Marin County Electric Railways on the condition that the franchise granted to said Marin County Electric Railways by the town of Mill Valley be amended in certain particulars; and it now appearing to this Commission that no amendments to said franchise are necessary to enable the applicant herein to meet the conditions fixed by this Commission, it is hereby declared that public convenience and necessity require the exercise by Marin County Electric Railways of the right to construct and operate a street railway in the town of Mill Valley in accordance with the rights and privileges granted by the town of Mill Valley in its Ordinance No. 185 adopted on January 26, 1914.

And whereas the order of this Commission in the above entitled matter authorized Marin County Electric Railways to sell stock on certain conditions and only to residents and owners of property in Mill Valley;

And whereas application is now made on behalf of Marin County Electric Railways asking that said order be amended so as to permit of the sale of stock to Mr. W. Wesley Hicks, general manager of said Marin County Electric Railways, who is neither a resident nor property owner in Mill Valley, and who, it is represented, is desirous of acquiring \$10,000.00 of said stock,

*It is hereby ordered* that Marin County Electric Railways be given authority and it is hereby given authority to sell stock to Mr. W. Wesley Hicks, on the condition, however, that said Hicks will file with this Commission a statement which shall be in a form satisfactory to this Commission to the effect that the stock acquired by Mr. Hicks will be held by him personally and not sold unless authority to sell the same be given by subsequent order of this Commission.

This order is made subject to all of the conditions appearing in the Commission's order of March 26, 1914, in the above entitled matter in so far as said conditions are not in conflict with the order herein.

The foregoing first supplemental order is hereby approved and ordered filed as the first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of April, 1914.

## DECISION No. 1410.

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN  
HOME TELEPHONE COMPANY FOR AUTHORITY TO  
ISSUE STOCKS, BONDS AND NOTES.

Application No. 871.

*Decided April 8, 1914.*

Applicant authorized to issue notes aggregating \$35,050.00 to refund notes of a like amount now outstanding, and to pledge certain bonds as security therefor.

## REPORT OF THE COMMISSION.

## FIRST SUPPLEMENTAL ORDER.

Whereas this Commission, on February 24, 1914, rendered an opinion in the above entitled matter holding in abeyance its order until July 1, 1914, and directing Southwestern Home Telephone Company to reduce its bonded and floating indebtedness and to restore certain stock to its treasury and to cancel, if possible, other stock held by the trustee; and Southwestern Home Telephone Company now having made supplemental application to this Commission asking for authority to issue new notes to replace other notes illegally issued; and it appearing that the notes which the applicant herein desires to issue are to the same parties who held such notes prior to March 23, 1912, when the Public Utilities Act became operative, and that such notes are in the same amounts or less amounts than the notes they are designed to refund,

*It is hereby ordered* that Southwestern Home Telephone Company be given authority and it is hereby given authority to issue notes to the following persons in the amounts set opposite their names:

Miss Ella A. Lewis .....	\$2,000 00
C. B. Hoadley .....	3,000 00
First National Bank .....	10,000 00
Mrs. Frances A. L. Smith.....	1,800 00
J. O. Thompson .....	1,000 00
F. H. Wells .....	10,000 00
J. W. Brock .....	5,000 00
Alice P. and Mary Denison.....	2,500 00
Total .....	\$35,050 00

The authority herein given is upon the following conditions and not otherwise:

(1) That said notes shall be given for a period not to exceed one year and at a rate of interest not exceeding 8 per cent per annum.

(2) Said notes shall be issued only to refund notes of like amount or greater amount held prior to March 23, 1912, by persons to whom Southwestern Home Telephone Company is herein authorized to issue notes.

It is further ordered that Southwestern Home Telephone Company be granted authority, and it is herein granted authority, to pledge its bonds as collateral security for the notes herein authorized to be issued in the same ratio to the face value of said notes as the bonds pledged as collateral security prior to March 23, 1912, bore to the face value of the notes designed to be refunded by the notes herein authorized to be issued.

Southwestern Home Telephone Company shall, within thirty days, file with this Commission a list of the notes issued under the authorization herein and a list of the bonds pledged as collateral security therefor.

The authority herein given shall apply to such notes and such bonds as shall have been issued on or before June 1, 1914.

Southwestern Home Telephone Company shall file with this Commission within thirty days, a statement showing that it has canceled the notes heretofore illegally issued without the approval of this Commission.

The foregoing first supplemental order is hereby approved and ordered filed as the first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 8th day of April, 1914.

---

DECISION No. 1411.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES  
GAS AND ELECTRIC CORPORATION FOR AN ORDER  
AUTHORIZING THE ISSUE AND SALE OF BONDS OF THE  
AMOUNT OF NINE HUNDRED THOUSAND DOLLARS.

---

Application No 453.

*Decided April 8, 1914.*

---

REPORT OF THE COMMISSION.  
SECOND SUPPLEMENTAL ORDER.

Whereas, it appears from a second supplemental application filed herein on the 7th day of April, 1914, that paragraph 5 of the supplemental application of March 16, 1914, erroneously stated that there had been expended from the treasury of applicant the sum of \$576,166.67 for the purposes set out in Exhibit D-1, attached to and made a part of the original petition in this proceeding, while the fact

is that said sum of money was expended for the purposes set out in Exhibit D-1 and also in Exhibit D-2, attached to and made a part of said original petition, and that a modification should accordingly be made in paragraph 2 of this Commission's supplemental order in the above entitled proceeding, dated March 23, 1914,

*It is hereby ordered* that said supplemental order, dated March 23, 1914, be and the same is, hereby amended so that section 2 of the order reads as follows:

"2. The proceeds from bonds of said issue having a face value of \$432,000 may be used by Los Angeles Gas and Electric Corporation to reimburse its treasury on account of expenditures made for the purposes specified in Exhibit D-1 and Exhibit D-2, attached to the original petition herein, and the proceeds from the balance of said total of \$500,000, face value of bonds, may be applied by applicant to the purposes set out in said Exhibit D-1 and Exhibit D-2."

In all other respects this Commission's said supplemental order of March 23, 1914, shall remain in full force and effect.

Dated at San Francisco, California, this 8th day of April, 1914.

---

DECISION No. 1412.

IN THE MATTER OF THE APPLICATION OF SIGNAL HILL  
WATER COMPANY OF LONG BEACH, CALIFORNIA, FOR  
AN ORDER AUTHORIZING AN ISSUE OF STOCK.

---

Application No. 751.

*Decided April 9, 1914.*

---

REPORT OF THE COMMISSION.

ORDER OF DISMISSAL.

The Signal Hill Water Company having made written request to this Commission that the application in the above entitled proceeding be dismissed,

*It is hereby ordered* that the application in the above entitled matter be, and the same is, hereby dismissed.

Dated at San Francisco, California, this 9th day of April, 1914.

## DECISION No. 1413.

IN THE MATTER OF THE APPLICATION OF YAPLE & COMPANY FOR AN ORDER AUTHORIZING THE SALE TO J. S. MOULTON OF A TELEPHONE EXCHANGE AT RIPON, CALIFORNIA.

---

Application No. 1056.

*Decided April 9, 1914.*

---

## REPORT OF THE COMMISSION.

Yaple & Company having applied to this Commission for permission to sell to J. S. Moulton for the sum of \$352.22 the telephone exchange at Ripon, California, the property to be transferred being set forth in that certain bill of sale attached to the application in this proceeding, and marked "Exhibit A," and J. S. Moulton having joined in the application, and the Commission being of the opinion that this case is one in which a public hearing should not be held,

*It is hereby ordered* that Yaple & Company be and is hereby authorized to sell to J. S. Moulton for the sum of \$352.22 the telephone exchange at Ripon, California, the property to be transferred being set forth in the proposed bill of sale attached to the application in this proceeding and marked "Exhibit A," as follows: 1 telephone booth; 13 desk sets; 20 telephone wall sets; 9 miles of metallic line; 1 switchboard, upon the following conditions and not otherwise:

1. Consideration given for the property herein authorized to be transferred shall not be taken before this Commission nor any other public utility body as representing for rate fixing, or other purposes, the value of the property transferred.

2. This order shall become effective only after J. S. Moulton shall have filed with this Commission, and received its approval, a stipulation that said J. S. Moulton shall undertake to give as adequate and extensive telephone service as has been heretofore given by Yaple & Company.

By order of the Railroad Commission.

Dated at San Francisco, California, this 9th day of April, 1914.

## DECISION No. 1414.

IN THE MATTER OF THE INVESTIGATION OF THE RULES,  
REGULATIONS AND PRACTICES OF WAREHOUSES  
OPERATING IN SAN FRANCISCO, CALIFORNIA.

---

Case No. 566.

*Decided April 9, 1914.*

---

*C. W. Durbrow*, for Warehousemen's Association.  
*Seeth Mann*, for certain warehouse patrons.

## REPORT OF THE COMMISSION.

ESHLEMAN, *Commissioner*.

Continued complaints have come to this Commission with reference to the statements made by the warehousemen to their patrons to the effect that this Commission was responsible for the increase of warehouse rates in the city of San Francisco, and that the warehousemen could not lower these rates if they desired.

A considerable amount of testimony was taken at the hearing, and it is amply demonstrated that the impression is abroad among the patrons of the warehouses that the warehousemen can not lower their rates if they desire, and that such impression is largely the result of the failure of warehousemen and their employees to assume responsibilities entirely their own in dealing with their patrons. In addition, certain merchants desiring special privileges have also been to blame for this prevalent sentiment.

The whole matter was given a thorough airing, and I believe the misunderstanding will not hereafter exist, and under these circumstances I recommend that the case be dismissed, and it is so ordered.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of April, 1914.

## DECISION No 1415.

IN THE MATTER OF THE APPLICATION OF ANNA YOUNG,  
RESIDENT AND WATER RATE PAYER OF THE CITY OF  
OAKLAND, COUNTY OF ALAMEDA, STATE OF CALI-  
FORNIA, FOR THE VALUATION BY THE RAILROAD COM-  
MISSION OF THE PROPERTY AND WATER SYSTEM OF  
THE PEOPLE'S WATER COMPANY, FOR PUBLIC UTILITY,  
FOR RATE FIXING AND OTHER PURPOSES.

---

Application No. 1034.

*Decided March 9, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER DISMISSING APPLICATION.

Anna Young having filed the present application asking that this Commission make a valuation of the property of the People's Water Company and to fix rates for this company, and the Commission being of the opinion that the matters considered in this application are not properly before the Commission by the filing of the present application, but the matters which are only properly presented by the filing of a formal complaint,

*It is hereby ordered* that this application be, and the same is hereby, dismissed.

By order of the Railroad Commission.

Dated at San Francisco, California, this 9th day of March, 1914.

---

DECISION No. 1416.

## THE STATE COMMISSION IN LUNACY

*vs.*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COM-  
PANY (COAST LINES).

---

Case No. 529.

*Decided April 9, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER OF DISMISSAL.

The State Commission in Lunacy having made written request to this Commission that the complaint in the above entitled proceeding be dismissed,

45—10192



*It is hereby ordered* that the complaint in this proceeding be, and the same is, hereby dismissed.

By order of the Railroad Commission.

Dated at San Francisco, California, this 9th day of April, 1914.

---

DECISION No. 1417.

IN THE MATTER OF THE APPLICATION OF THE WILMINGTON WATER COMPANY FOR AN ORDER PRELIMINARY TO THE ISSUE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR A WATER SYSTEM.

---

Application No. 903.

*Decided April 9, 1914*

---

Applicant granted a certificate of public convenience and necessity to construct and operate a water distributing system in certain territory in Los Angeles County.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This Commission having, on January 22, 1914, made an order declaring that it would hereafter, upon application, grant a certificate declaring that public convenience and necessity would require the exercise by applicant of the rights and privileges contained in a franchise applied for from the county of Los Angeles but not yet granted, under which franchise applicant would be permitted to serve water within the following described territory, to wit:

Tract 1563, as per map recorded in Book 21, at page 116 of Maps, in the office of the county recorder of said county of Los Angeles; Tract 1800 as per map recorded in Book 22, at page 164 of Maps, in the office of the county recorder of said county of Los Angeles; and Tract 1855 as per map recorded in Book 24, at page 10 of Maps, in the office of the county recorder of said county of Los Angeles;

upon the condition that applicant should also have filed with the Commission a schedule of the rates for water served in said territory, and applicant having filed the following rates and regulations for the service of water in said territory, to wit:

Section 1. The rates to be charged for the year commencing January 1, 1914, and thereafter, and supplying water through a meter or weir, are hereby fixed as follows: For 600 cubic feet or less, \$1.50; for each 100 cubic feet in excess of 600 cubic feet, 25 cents.

Sec. 2. That all meter rates are due and payable at the end of the month, excepting that a deposit may be required thereon in an amount not exceeding the estimated quantity of water consumed.

Sec. 3. All meters installed shall be installed by, and under the supervision of, and subject to the inspection of, and at the expense of, and shall be kept in repair by the Wilmington Water Company.

And the board of supervisors of Los Angeles County having, on February 24, 1914, in Ordinance No. 349, granted to applicant the right to serve water within the above described territory,

*It is hereby declared* that public convenience and necessity require the exercise by applicant in the above defined territory of the rights and privileges granted applicant by the board of supervisors of Los Angeles County in Ordinance No. 349.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of April, 1914.

---

DECISION No. 1418.

IN THE MATTER OF THE APPLICATION OF PACIFIC FREIGHT TARIFF BUREAU FOR SOUTHERN PACIFIC COMPANY, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, NORTHWESTERN PACIFIC RAILROAD COMPANY, SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY, TONOPAH AND TIDEWATER RAILROAD COMPANY, WESTERN PACIFIC RAILWAY COMPANY AND OTHER LINES PARTIES TO PACIFIC FREIGHT TARIFF BUREAU EXCEPTION SHEET No. 1-C, C. R. C. No. 70 OF F. W. GOMPH, AGENT, FOR AUTHORITY TO INCREASE THE MINIMUM CHARGE FOR LESS THAN CARLOAD SHIPMENTS.

---

Applications Nos. 966, 967, 968.

*Decided April 10, 1914.*

---

Application of various carriers to increase the minimum charge on less than carload shipments from 25 cents to a rate which would accrue on a basis of one hundred pounds under the class to which it belongs.

*Held*, Application held in abeyance until such time as carriers shall have prepared a record showing shipments moved during six months' time that would be affected by the proposed change.

*George D. Squires*, for Applicants.

*Seth Mann* and *Wm. R. Wheeler*, for the San Francisco Chamber of Commerce.

*G. J. Bradley*, for the Merchants' and Manufacturers' Traffic Association of Sacramento.

*F. M. Hill*, for Fresno Traffic Association.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

These applications are made on behalf of practically all of the railroads operating within the State of California and comprehends a change in the present rule governing minimum charge for less than carload shipments, it being the intention of the carriers involved, if these applications are granted, to advance the minimum charge of twenty-five cents for any single shipment to the charges which would accrue on the basis of one hundred pounds according to the class under which the shipments would move as outlined in the Western Classification.

At the present time the minimum charge for a single shipment is twenty-five cents, except on shipments of explosives, which carry a minimum charge of fifty cents, and for a joint movement between two or more carriers which carries a minimum charge of twenty-five cent for each line participating in the joint movement.

The rule which it is proposed to put in effect is that published in the Western Classification and reads as follows:

"Unless otherwise provided, the minimum charge for a single shipment of one class, classified first class or lower, will be one hundred (100) pounds at the class or commodity rates to which it belongs. If classified higher than first class, the minimum charge will be for one hundred (100) pounds at the first-class rate.

"If the shipment contains articles in two or more classes, no one of which is classified higher than first class, the minimum charge shall be for one hundred (100) pounds of the article taking the highest rate; but if any one of the articles is classified higher than first class, the minimum charge shall be for one hundred (100) pounds at the first-class rate.

*"In no case shall the charge on a single shipment be less than twenty-five cents."*

It is not proposed to carry the rule of the Western Classification in its entirety, but only to apply the same in case of a movement over one line, and, in case of a joint movement over two or more lines, the minimum charge will be the rate based on one hundred pounds according to the class the article takes, but not less than twenty-five cents for each participating carrier. It is also intended that the minimum charge for joint movements of explosives shall be based on one hundred pounds of the class under which the explosive moves, subject to a minimum charge of fifty cents for each line participating in the haul.

The principal reasons advanced by the carriers for desiring to bring about these changes are:

*First*—A desire to have in this State the same rules now in effect in Western Classification territory generally; in other words, to bring about uniformity in the classification;

*Second*—That the present minimum charge of twenty-five cents is discriminatory, in that it permits a person to ship a small package a very long distance at the same rate as it would be moved for a very short distance;

*Third*—That the present minimum charge of twenty-five cents does not compensate the carrier for the labor involved in handling the shipment.

Considering first the carriers' plea that this application should be granted in interest of uniformity, we desire to comment on the fact that these applications in interest of uniformity invariably bring about increases in rates, and under the provisions of the Public Utilities Act such increases must be affirmatively justified before the Commission will sanction the same. We concede that the Western Classification has been compiled after a great deal of thought and concerted action on the part of railroad representatives, and perhaps with the advice of shippers, but to our minds a classification to be uniform and of any value, it must be uniform in every respect. The carriers in this State maintain a scale of class rates very much higher than the roads in the Middle West which operate under the Western Classification, and while to a more or less limited extent there may be some justification in somewhat higher class rates in certain portions of California, we know of no reason why the spread of rates should be any different in one part of Western Classification territory than in the other, and until the carriers have in Western Classification territory arrived at a spread of rates which will be the same throughout the entire territory we fail to see where there is any uniformity in the classification whatsoever. If the carriers in California, therefore, insist on a different spread between the various class rates than obtains in other parts of Western Classification territory it would seem that the most essential element in a uniform classification and the proper relationship between the rates is lacking.

The records in these proceedings indicate—should the proposed applications be granted—very large sums will be added to the revenue of the applicants. Prior to the hearing we required several of the carriers to submit detailed information concerning the movement of minimum charge shipments between certain points on their respective lines. The records cover, we believe, but a very small percentage of all of the minimum charge shipments which have moved in California during the period covered by such reports which would be affected by this

rule, and we are of the opinion that should all of the business of the various applicants be analyzed an increase in annual revenue to the railroads of not less than \$250,000.00 per annum—and perhaps a great deal more—would result. The applicants have not submitted evidence to justify the proposed increase, and pending such a showing we are not disposed to permit an advance in the minimum charge, the result in many cases of which will be that a shipper who handles goods in small quantities will pay two or three hundred per cent greater aggregate charges than at present.

The applicants have urged that the minimum charge of twenty-five cents, applying as it does from one end of the State to another, is an arbitrary arrangement, and does not give them the increased revenue they should receive from the movement of minimum charge shipments to far distant points. They seem to have overlooked the fact that the new rule proposed arbitrarily places a minimum charge on a basis of one hundred pounds per shipment regardless of what it may weigh, and so far as the minimum of twenty-five cents is concerned, it is, in our judgment, no more arbitrary than is the proposed rule which says that the minimum charge shall be based on one hundred pounds. They could as well say the minimum charge should be based on fifty or sixty pounds, or any other weight. I do not wish to be understood as saying that the present minimum charge is in all cases equitable, but the proposed rule has its faults which I have attempted to point out—the principal one being that while the carriers are urging uniformity as regards to some particular rule in the classification, this same uniformity which appears so highly desirable in this instance is entirely forgotten when the carriers fail to maintain the same spread between the class rates in the entire Western Classification territory. If \$1.00 per hundred pounds is a reasonable charge for the transportation of first-class goods in the Middle West States and 50 cents is reasonable for transporting fourth-class goods in the same territory, then, if the entire classification is to be uniform, we should have in California a fourth-class rate of 50 cents per hundred whenever a rate of \$1.00 first-class is justified. Therefore, as I have said before, if uniformity is desirable all of the railroads in Western Classification territory should agree on a spread between the class rates which would be uniform, though the first-class rate in some sections might necessarily be higher because of the different circumstances and conditions operating in different parts of the country.

This Commission will not shrink from its duty to permit carriers to increase rates where such an increase is justified, but the record in these proceedings is not clear on this point. The applicants have urged that shippers could readily accommodate themselves to changed conditions by

shipping larger packages or moving the smaller shipments via express or parcel post. This may or may not be so, and the record of shipments moved for the limited period called for by the Commission hardly furnishes a basis to arrive at a just conclusion in this respect. The new parcel post rates permitting the shipment of larger packages have been in effect but a short time, and the reduced express rates have been in effect but a few days, and the record of shipments submitted by the carriers covers a period prior to the effective date of the parcel post regulations and the express rates above referred to.

We will, therefore, refrain from entering an order in this case until a proper time has elapsed to observe the movement of small packages under these recent rate adjustments, and if the carriers will keep a record of the movements of all the traffic which would be affected by the proposed change in minimum charges, as covered by their applications, for a period of six months and present the same to the Commission, the case will be reopened and further testimony received as to the reasonableness of the rates which would obtain under minimum charge rule as proposed.

Dated at San Francisco, California, this 10th day of April, 1914.

---

DECISION No. 1419.

S. O. FESLER ET AL.

vs.

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

---

Case No. 515.

*Decided April 10, 1914.*

---

Complainants allege that the farmer line rates of defendant at its Modesto exchange are discriminatory and unjust.

*Held*, Defendant directed to place all of its farmer line rates of the Modesto exchange upon a uniform schedule, based upon the \$3.00 rate as now charged certain subscribers for this class of service, and if such rate is protested by defendant as being unfair, defendant may file, within thirty days, an application to increase such rates, stating its reasons therefor.

*Held*, That in the future where discrimination is proven to exist and the defendant desires to eliminate such discrimination by raising the lower rate, the burden of proving that the lower rate is unjust shall rest with the defendant.

*Joseph M. Cross*, for Complainants.

*James T. Shaw*, for The Pacific Telephone and Telegraph Company.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*,

The complainants in this case are patrons of The Pacific Telephone and Telegraph Company at its exchange in Modesto, California. They are classified by the telephone company as farmer line subscribers. The complaint alleges discrimination in the rates charged its different patrons by the telephone company, and points out in support of this allegation that some of these patrons are charged but \$3.00 per year while others are charged \$7.20 per year for similar service. It is further alleged by the complainants that the telephone company owns no interest in the lines and telephones comprising the equipment necessary in rendering this service, in view of which they believe that \$3.00 per telephone per year would be ample compensation to the telephone company for this class of service. The Commission is, therefore, asked to investigate the tolls, rates and charges for the service rendered to farmer line patrons, and to determine reasonable charges therefor.

This case was heard in the city of Modesto on January 16, 1914. The testimony shows that for a number of years the defendant company has been rendering service to its patrons in the rural districts adjacent to its various exchanges under various conditions and at varying rates. As rural service conditions changed with the various stages of development in this branch of the telephone company's business, the rates for this class of service underwent various changes. Eventually a schedule of rates for rural service was adopted and became effective on July 1, 1909, under which rates the telephone company on its part agrees to furnish switchboard connection, necessary circuit to the town limits for not less than five subscribers per circuit, central office service, which includes unlimited switching with all exchange subscribers connected with the exchange with which the rural line connects, maintenance of the equipment which it provides, listing in directory and code ring card. The subscribers on their part are required to furnish necessary circuit from their premises to the town limits for connection at that point with the circuit provided by the telephone company, complete telephone and necessary batteries, substation protection and maintenance of same. The rates for this class of service are fixed by a sliding scale having as its basis the total

number of subscribers' stations connected with the exchange with which the rural lines are connected. This schedule is as follows:

Connecting with exchanges of	Switching rate per year
30 stations or less.....	\$3 00
30 to 50 stations.....	3 60
50 to 75 stations.....	4 20
75 to 100 stations.....	5 10
100 to 200 stations.....	7 20
200 to 400 stations.....	8 40
400 to 600 stations.....	9 60
600 to 800 stations.....	10 80
800 to 1200 stations.....	12 00
1200 and over.....	15 00

These rates apply for residence stations; business stations connected on farmer lines are charged double these rates, and in either case the rates are subject to a discount of 10 per cent if paid during the first month of the year for which bill is rendered; or, in the case of new subscribers, during the month when service is connected.

This complaint was filed during the month of December, 1913. At that time and for a number of years previously, the total number of stations connected with the Modesto exchange was between one and two thousand so that during that period the standard rate under this schedule would be \$7.20 per year. Those patrons who are now paying \$3.00 per year became subscribers when that rate was regularly in effect and whose rates, for one reason or another, the telephone company has not advanced. Those who are paying \$7.20 per year are those who have become subscribers since that rate was adopted as the standard rate on July 1, 1909, and those whose rates the telephone company has advanced since that date and prior to the effective date of the Public Utilities Act.

Testimony of the complainants' witnesses was chiefly in support of their claim that discrimination does exist. With respect to the element of reasonableness involved in the rates for rural service, it was frankly admitted by the complainants' counsel that their idea of reasonableness is based generally on what they understand the rates to be in other states for similar service, and that they were not prepared to maintain any definite position with reference to any definite rate.

With reference to the ownership of equipment necessary in rendering farmer line service, it will be seen by reference to the above schedule, and conditions under which the rates therein listed apply, that the telephone company furnishes a portion of the equipment which includes necessary circuits from the exchange to the town limits and necessary central office equipment. On the other hand, the subscribers themselves provide at their expense necessary telephones and



necessary circuits from their premises to the exchange limits. On this basis, the telephone company disputes the allegation of the complainants with reference to their interest in farmer line equipment, and has presented data showing that the average length of lines necessary in rendering farmer line service is one and one quarter miles, as compared with an average of one quarter mile of circuit necessary for other classes of exchange service, and on the basis of these averages, its investment in circuits necessary in rendering farmer line service is actually greater than the investment required in rendering other classes of service.

Section 19 of the Public Utilities Act provides that no public utility shall, as to rates, charges, service, facilities, or in any other respect, make or grant any preference or advantage to any person or corporation or subject any corporation or person to any prejudice or disadvantage. The purpose of this section is clearly to prevent discrimination. Section 14 (b) of the Public Utilities Act provides that all public utilities other than common carriers shall file with the Commission their schedules of rates, rules and regulations, etc., which were in effect on October 10, 1911, but provides that the Commission may from time to time determine rates in excess of or less than those shown by the schedules. Section 17 (b) of the Public Utilities Act provides that no public utility shall charge, demand, collect or receive any greater or less or different compensation than that included in its schedules on file which are to be the rates, etc., actually in effect on October 10, 1911, but provides that the Commission may by rule or order establish such exceptions from the operation of this prohibition as it may consider just and reasonable as to each public utility. Section 63 (a) of the Public Utilities Act provides that no public utility shall raise any of its rates, fares, tolls, rentals or charges except upon a showing before the Commission and a finding by the Commission that such increase is justified.

It was called to the attention of the Commission that certain public utilities of the State, prior to March 23, 1912, the effective date of the Public Utilities Act, had increased some of their rates over their rates actually in effect on October 10, 1911, and accordingly on April 17, 1912, the Commission approved its General Order No. 17 requiring that such public utilities immediately restore the rates which were actually in effect on October 10, 1911, and continue those rates in effect until the further order of the Commission.

The telephone company maintains that it is only by reason of the fact that it can not, under the provisions of the Public Utilities Act and of General Order No. 17, referred to above, increase any of the rates heretofore charged without the Commission's authorization that discrimination has been permitted to continue, and in this it was

sufficiently borne out by the testimony of the complainants to the effect that the telephone company had attempted to make all of its rates uniform by raising the lower rates. The telephone company admits there is discrimination between its patrons who are complainants herein, and expresses a willingness to remove the discrimination by raising the lower rate.

In every case such as this we are met with the same suggestion, and it seems to be the position of the utilities that when discrimination is found to exist they shall be permitted to remove such discrimination by imposing an added burden upon those in whose favor the discrimination has been made instead of taking the burden off of those upon whom it has been imposed. In this position the utilities lose sight of the provisions of the constitution of this State and of the Public Utilities Act, to the effect that they must secure the permission of this Commission in order to raise a rate, and also the universal rule that, where a privilege is requested, the one requesting such privilege from any tribunal has upon him the burden of justifying the granting of such request. Therefore, it is well to announce for the benefit of all public utilities the rule that in the future where discriminations are found to exist, the utility maintaining such discriminations may be permitted to eliminate them by lowering the rate without further hearing and without further finding than that the discrimination exists. On the other hand, such discriminations may not be eliminated by increasing the rate unless the utility has assumed and maintained the burden of showing to this Commission that the higher rate sought to be put in is justified. In other words, in the present case The Pacific Telephone and Telegraph Company may reduce all of its rates to the level of the lowest rate found to be in effect in this exchange, and if it will do so, the Commission will consider that the cause of complaint is justified without further proceeding. If, on the other hand, the defendant desires to remove the discrimination by raising the lower rate, such defendant must indicate that desire to the Commission, file an application so to do and be prepared within a reasonable time to assume the burden of showing that the higher rate is justified or an order will be entered fixing the lower rate as the proper rate to be charged.

It seems to me that the telephone company has assumed an illogical position with reference to its entire scale of so-called farmer-line rates. Its position is that the larger the number of patrons connected in the exchange with which the farmer's line is connected the higher the price shall be to the farmer's line subscriber. This position is correct if it be admitted that the value of the service to the patron is the only element to be considered in making rates. This doctrine when advanced by the railroads is known generally as the "what the traffic

will bear" theory, and has been entirely exploded with reference to railroads in this State, except in those cases where what the traffic will bear, that is, all the shipper can be induced to pay, is no higher than the railroad has a right to exact when considering its business and the cost of performing the service. The real controlling element is what it costs the utility to perform the service, and, while this must be properly modified in particular cases, still when we view the entire business of a utility this is the rule which must be applied. It may well be that in the year 1914, under improved telephonic conditions and in contemplation of the much more universal use of the telephone, a farmer's line subscriber, even though he gets more service from the company than he secured in the year 1905, should nevertheless be accorded a lesser rate. Therefore, it is not sufficient showing to permit the increase of these rates for this company to produce evidence to the effect that more people may be reached by the telephone of the farmer's line subscriber now than could be reached when the \$3.00 rate was in effect.

It is, therefore, my opinion, and I find as a fact, that discrimination exists between the farmer's line patrons of this defendant connected with its Modesto exchange, and if such discrimination is to be removed without further hearing, it must be removed by applying to all farmer's line subscribers in this territory the \$3.00 rate.

I recommend the following order:

**ORDER.**

S. O. Fesler and others, patrons of The Pacific Telephone and Telegraph Company, a public utility corporation, having filed complaint that the rate charged its present patrons for farmer line service at its Modesto exchange by the said telephone company are exorbitant, unjust and discriminatory, and a hearing having been held, and being fully appraised in the premises, the Commission hereby finds as a fact that discrimination in rates for farmer line service does exist in this exchange; and basing this order on the foregoing finding of fact,

*It is hereby ordered* that such discrimination be removed within thirty days from the date of this order by the application of a uniform \$3.00 rate to all of the patrons of this exchange, or that, within such time, the defendant herein file an application applying for permission to present evidence with a view to justifying some higher rate than the lowest rate existent in this exchange for its farmer line subscribers, which rate shall be substituted uniformly for the existing rates.

*And it is further ordered* that, on the filing of such application, the present rates be maintained in effect until the Commission determines the questions raised by said application, but in the event that said application is not filed within the date specified, or thereafter in the

event that said application for an increase is not justified, the present uniform \$3.00 rate must be maintained in effect.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of April, 1914.

---

DECISION No. 1420.

IN THE MATTER OF THE APPLICATION OF E. M. WILSON,  
NETTIE B. HARRIS AND LAWRENCE A. WILSON, FOR  
PERMISSION TO EXERCISE RIGHTS IN LASSEN COUNTY,  
CALIFORNIA.

---

Application No. 1079.

*Decided April 10, 1914.*

---

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

E. M. Wilson, Nettie B. Harris, and Lawrence A. Wilson having applied to this Commission for a certificate declaring that public convenience and necessity require the exercise of the rights and privileges granted to them by the board of supervisors of Lassen County, State of California, in Ordinance No. 99, adopted on March 4, 1914, giving to applicants the right to erect, construct, maintain, and operate an electric transmission system over the public highways of said county, and the Commission being of the opinion that this application should be granted in so far as said county is not now served by the Pitt River Power Company, and that a public hearing upon this application is not necessary, it is hereby declared that public convenience and necessity require the exercise by E. M. Wilson, Nettie B. Harris, and Lawrence A. Wilson of the rights and privileges granted to them by the board of supervisors of the county of Lassen, State of California, in Ordinance No. 99, adopted on March 4, 1914, upon the following condition:

This certificate is granted only to those portions of Lassen County which are not now served by the Pitt River Power Company.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of April, 1914.

## DECISION No. 1421.

IN THE MATTER OF THE APPLICATION OF GLENDALE AND  
EAGLE ROCK RAILWAY COMPANY FOR AUTHORITY TO  
ISSUE BONDS IN THE SUM OF ONE HUNDRED AND FIFTY  
THOUSAND DOLLARS.

---

Application No. 1046.*Decided April 11, 1914.*

---

*Held.* Applicant authorized to issue bonds of the face value of \$65,000.00; \$25,000.00 of said bonds to be exchanged at par for bonds of a like amount now outstanding, and the balance to be sold at not less than 90, and the proceeds used for additions and betterments to system.

*Held.* Applicant shall amend its trust deed so as to pledge certain real estate as security for the bonds herein authorized as well as the interest.

*William T. Blakely*, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

Glendale and Eagle Rock Railway Company is an interurban electric railway which operates from the city of Glendale through Montrose to La Crescenta, with a branch running from Glendale to Eagle Rock, a total distance of 8.2 miles, in Los Angeles County. The line from Glendale to La Crescenta is standard gauge. The branch from Glendale to Eagle Rock, a distance of 2.08 miles, is narrow gauge.

The applicant has an outstanding issue of \$25,000.00 in stock. Its indebtedness consists of \$25,000.00 of 6 per cent first mortgage bonds, due September 1, 1929; outstanding notes in the sum of \$14,039.55; and accounts payable in the sum of \$7,721.00.

Glendale and Eagle Rock Railway Company petitions for authority in the application herein to issue \$150,000.00 of bonds and to use the proceeds for the purpose of retiring all outstanding indebtedness; for standardizing its line between Glendale and Eagle Rock; for the purchase of new equipment, car barns, etc.; for the reconstruction of a portion of its line destroyed in the recent storms; and for the purpose of reimbursing its principal stockholder, Mr. J. Frank Walters, in the sum of \$40,169.00, advanced by him; and for other purposes more particularly set out hereafter.

It is proposed to sell these bonds at 90 and to use the proceeds in detail as follows:

To retire first mortgage bonds.....	\$25,000 00
To broad gauge Eagle Rock Division 2.08 miles.....	14,000 00
To purchase one 44-passenger car.....	2,000 00
To purchase one flat freight car.....	500 00
To construct two additional freight sidings.....	1,500 00
To erect and equip car barn and repair shop at La Crescenta 100 by 40 by 22 feet of corrugated iron.....	6,500 00
To purchase real estate at La Crescenta for car barn, freight and passenger station 273 by 362 feet.....	2,000 00
To pay balance due on real estate at Montrose.....	1,800 00
To reconstruct track recently damaged by storm.....	9,160 00
To retire notes outstanding.....	14,039 00
To liquidate outstanding bills.....	7,721 00
To reimburse J. Frank Walters for advances.....	40,169 00
To pay estimated assessment on Glendale and Eagle Rock Railway Company to control Verdugo Wash.....	5,000 00
To purchase additional equipment within next twelve months: one freight locomotive, one flat car, one box car, one overhead repair car, three more passenger cars, and freight cars....	9,000 00
To be held in treasury for future requirements.....	2,111 00
<b>Total .....</b>	<b>\$140,500 00</b>

It appears from the testimony that several of the items in the foregoing list are properly chargeable to operating expenses; as, for instance, the reconstruction of the roadway following the recent storm damage, in the sum of \$9,160.00, and the \$5,000.00 assessment for controlling the Verdugo Wash. The testimony establishes also that a portion of the notes and accounts are properly chargeable to operating expenses. It appears, further, that certain equipment in the sum of \$9,000.00 will not be required at the present time.

The largest item, "Advances to treasury, \$40,169.00," represents advances made to the company by Mr. Walters, who owns all of the applicant's stock. This amount is evidenced by an open account on the company's books.

I shall recommend that this item be allowed to remain for the present. Mr. Walters, the owner of the stock of this railway, is interested in real estate tracts on an extensive scale in Montrose and La Crescenta, in the Verdugo foothills. The road passes through Montrose and terminates at La Crescenta, and serves the tracts in which Mr. Walters is interested and which are now being sold as home sites and in small acreage.

It is estimated on behalf of the applicant that its properties, with all the additions and betterments contemplated in this application, will have cost approximately \$150,000.00. While the officials of the company estimate that it will greatly increase its earnings within the next few years by reason of the freight which will come to its tracks, it

appears that for the year ending July 1, 1913, its gross income was \$7,023.80 and its operating expenses \$10,544.88, leaving a deficit of \$3,521.08. It is possible that the orchards along the line of this railway will furnish the additional freight expected which can be turned over to the San Pedro, Los Angeles and Salt Lake Railroad with which the applicant herein will connect. I believe, however, that the applicant would not be justified in assuming a greatly augmented bonded indebtedness until its earnings justify such increase.

The applicant proposes to secure the bonds by a first mortgage upon the railroad properties, and proposes to offer as security for the interest a second mortgage upon a lot on the southwest corner of Ninth and Wall streets in the city of Los Angeles. This lot is 100 by 140 feet in size, and the applicant values it at \$85,000.00. It is now under mortgage in the sum of \$25,000.00 to the German American Trust and Savings Bank, leaving an equity which the applicant estimates at \$60,000.00. This equity, however, is offered as security merely against the interest on the bonds and not as security for the principal.

Mr. Walters offered as an alternative to guarantee personally the interest on the bonds and stated that he had ample assets to establish the worth of such a guarantee.

After eliminating such items as are properly chargeable to operating expenses and such expenditures as may be deferred at this time, including the \$40,169.00 due Mr. Walters, and after adjusting the sums then remaining to fit the company's necessities, we have the following summary of purposes for which bonds are desired:

To retire present first mortgage bonds now owned by Mr. Walters	\$25,000 00
To retire notes payable as listed on page 3 of the application herein, with the exception of the note to Los Angeles Railway Corporation	13,039 55
Total refunding	\$38,039 55
<i>Additions and betterments—</i>	
To standard gauge Eagle Rock Division with necessary turn-out	\$7,250 00
Car barns and repair shops at La Crescenta	6,500 00
Real estate at La Crescenta for car barn, freight and passenger station	2,000 00
Balance due on substation lot at Montrose	1,800 00
One 44-passenger car for Eagle Rock branch	2,000 00
One flat freight car	500 00
Two sidings and connection with San Pedro, Los Angeles and Salt Lake Railway tracks	1,500 00
Total additions and betterments	\$21,550 00
Total refunding	\$38,039 55
Total additions and betterments	21,550 00
Total	\$59,589 55

The \$25,000.00 in bonds now outstanding are all owned by Mr. Walters, who has pledged them as security for personal obligations. I believe these bonds should be refunded for the new bonds at par. It will require the sale of \$38,000.00 additional bonds at 90 to provide for the other items set out in the foregoing list. I shall recommend that the applicant be given authority to sell \$40,000.00 of bonds for these other purposes.

While this railway is a commercial enterprise which must finally stand upon its own base, it is for the present not paying its way, and is being made to serve the real estate interests of its owner, Mr. Walters. For this reason I believe it is only proper that Mr. Walters should assume personally a large part of the financial burden of maintaining the railway until such time as it shall be operated without loss. For this reason I shall recommend an issue of bonds in this case only upon the condition that the equity in the real estate in the city of Los Angeles previously referred to, at the corner of Ninth and Wall streets, be made security for the principal of the bonds as well as the interest, or in lieu thereof that some security of equal worth be substituted. This requirement will necessitate a change in applicant's trust deed, and therefore the trust deed now on file will not be approved. I believe the bonds should be made to run for a period longer than fifteen years, and that the sinking fund should be made compulsory instead of dependent upon the net earnings.

I recommend that the application be granted to the extent indicated above and submit the following form of order:

**ORDER.**

Glendale and Eagle Rock Railway Company having made application to this Commission for authority to issue \$150,000.00 of fifteen-year 6 per cent bonds under a proposed deed of trust to Hellman Commercial Trust and Savings Bank of Los Angeles, and a hearing having been held, and it appearing that a portion of said bonds in the sum of \$65,000.00 is not properly chargeable to operating expenses or to income,

*It is hereby ordered* that Glendale and Eagle Rock Railway Company be given authority, and it is hereby given authority, to issue \$65,000.00 of its first mortgage 6 per cent bonds. Said bonds may be issued upon the following conditions and not otherwise:

(1) Said bonds may be used for the following purposes:

To refund outstanding bonds of Glendale and Eagle Rock Railway .....	\$25,000 00
To retire notes payable as listed on page 3 of the application herein, with the exception of the note to Los Angeles Railway Corporation .....	13,039 55
<b>Total refunding .....</b>	<b>\$38,039 55</b>



*Additions and betterments—*

To standard gauge Eagle Rock Division with necessary turnout--	\$7,250 00
Car barns and repair shops at La Crescenta-----	6,500 00
Real estate at La Crescenta for car barn, freight and passenger station -----	2,000 00
Balance due on substation lot at Montrose-----	1,800 00
One 44-passenger car for Eagle Rock branch-----	2,000 00
One flat freight car-----	500 00
Two sidings and connection with San Pedro, Los Angeles and Salt Lake Railway tracks-----	1,500 00
<b>Total additions and betterments-----</b>	<b>\$21,550 00</b>
<b>Total refunding -----</b>	<b>\$38,039 55</b>
<b>Total additions and betterments-----</b>	<b>21,550 00</b>
<b>Total -----</b>	<b>\$59,589 55</b>

(2) The balance of said bonds not used for any of the above purposes may be used for purposes as hereafter may be ordered by this Commission upon application of Glendale and Eagle Rock Railway.

(3) Said bonds in the sum of \$25,000.00 shall be issued at par to refund outstanding bonds in like amount.

(4) Such bonds as may be sold shall be sold so as to net the applicant not less than 90 per cent of the par value thereof plus accrued interest.

(5) None of the bonds herein authorized to be issued shall be sold until the applicant shall have received the approval of this Commission of an amended trust deed, which shall either extend the security offered by the real estate at Ninth and Wall streets, in the city of Los Angeles, to the principal of the bonds as well as the interest, or shall contain provisions for other security of equal worth.

(6) Glendale and Eagle Rock Railway Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission, stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(7) The authority herein given to issue such bonds shall be applied to such bonds as shall have been issued on or before January 1, 1915.

(8) The authority herein given is conditioned upon the payment of the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of April, 1914.

## DECISION No. 1422.

IN THE MATTER OF THE APPLICATION OF SAWTELLE  
WATER COMPANY FOR AUTHORITY TO ISSUE BONDS.

---

Application No. 1050.*Decided April 11, 1914.*

---

Application of the Sawtelle Water Company to issue bonds of the face value of \$25,000.00, proceeds to be used partly to pay off a floating indebtedness of \$14,532.56 and the balance for additions and betterments to plant.

*Held*, That the indebtedness proposed to be paid off by the proceeds from the issuance of bonds herein asked for, is not properly chargeable to capital account. Application to issue bonds denied. Applicant authorized to execute its note in the sum of \$10,500.00, to cover cost of proposed extensions and betterments.

*Herbert J. Goudge, for Applicant.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

Sawtelle Water Company is engaged in the business of supplying water to the city of Sawtelle and outlying territory in Los Angeles County. It has outstanding stock in the sum of \$50,000.00, consisting of 5,000 shares of the par value of \$10.00 each. Its indebtedness consists of \$14,532.56, of which \$12,567.12 is due the Santa Monica Water Company. The balance represents audited vouchers and wages unpaid. The applicant desires to make certain extensions to its distributing system necessary in the conduct of its business for the year 1914, at a cost of \$10,467.44. These proposed expenditures are set forth in Exhibit "C" attached to the application on file with this Commission.

For the purpose of paying off its floating indebtedness in the sum of \$14,532.56, and to provide for necessary expenditures in the sum of \$10,467.44, application is made by Sawtelle Water Company for authority to issue \$25,000.00 of 5 per cent thirty-year bonds.

For the year 1912 Sawtelle Water Company reported gross earnings of \$10,005.50 and a profit for the year of \$3,367.59. For the year 1913 it reported gross earnings of \$9,338.84 and a profit for the year of \$937.96.

The applicant has filed an inventory of its properties in the sum of \$54,531.79, which includes the sum of \$12,200.00 for water rights.

Among applicant's current assets is a sum due from the Santa Monica Land and Water Company in the amount of \$14,992.62. The control of Sawtelle Water Company is vested in the same parties who control Santa Monica Water Company and Santa Monica Land and Water Company. The applicant herein is indebted to Santa Monica Water Company in the sum of \$12,567.12, and at the same time is a

creditor of Santa Monica Land and Water Company in the sum of \$14,992.62.

It was urged on behalf of the applicant that it should not be required to offset these items one against the other; that the company had earned a surplus of \$17,799.91, and that the \$14,992.62 loaned to the Santa Monica Land and Water Company might be construed as a dividend payment.

Of course this sum was not paid out as a dividend, but consists of advances made from time to time to Santa Monica Land and Water Company. The power of this Commission to authorize issues of bonds for reimbursement purposes is limited under section 52 of the Public Utilities Act, under the provisions of which reimbursement may be authorized only for expenditures within five years next prior to the filing of the application. The utility must establish that its surplus was earned after proper provision for necessary operating expenses, depreciation and fixed charges. When such a showing has been made, it is then for the Commission to determine whether the public interest requires that bonds be issued.

The present application is for authority to issue bonds to pay an indebtedness and not to reimburse applicant for moneys expended from income. An application for reimbursement must be substantiated by proper showing that such money has been earned and thereafter invested for purposes properly chargeable to capital account.

In the absence of such a showing I believe that the applicant should settle its account with the Santa Monica Water Company from the moneys due from the Santa Monica Land and Water Company.

It is clear that the extensions which applicant desires to make to its system are required in the conduct of its business, and I recommend that it be authorized to borrow such moneys as may be needed up to \$10,500.00 for additions to its system. I do not believe that it is necessary to resort to a bond issue to raise this sum, and I shall therefore recommend that the application for bonds be denied and that the company be given authority to issue its note for these purposes.

I recommend the following form of order:

**ORDER.**

Sawtelle Water Company having made application to this Commission to issue \$25,000.00 of 5 per cent thirty-year bonds, and a hearing having been held, and it appearing for the reasons set forth in the foregoing opinion that the application should be denied,

*It is hereby ordered* that the same be and it is hereby denied.

*It is further ordered* that Sawtelle Water Company be given authority, and it is hereby given authority, to issue its note or notes in a sum not to exceed \$10,500.00 for the purpose of making additions and betterments to its plant and system in and contiguous to the city

of Sawtelle, Los Angeles County, in accordance with its Exhibit "C" on file with this Commission in connection with the application herein.

Said note or notes shall be issued for a period not to exceed five years and at a rate of interest not to exceed 7 per cent.

The authority herein given shall apply to such note or notes as shall have been issued prior to January 1, 1915.

Sawtelle Water Company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the note or notes hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission, stating the sale or sales of said note or notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The authority herein given is conditioned upon the payment by the applicant herein of the fee prescribed under the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of April, 1914.

DECISION No. 1423.

COUNTY OF SACRAMENTO

vs.

NORTHERN ELECTRIC RAILWAY COMPANY AND SACRAMENTO AND WOODLAND RAILROAD COMPANY.

Case No. 526.

*Decided April 10, 1914.*

Complainant alleges that a certain agreement entered into between Northern Electric Railway Company and Sacramento and Woodland Railroad Company is void, as its execution was not authorized by the Commission under section 51 of the Public Utilities Act. Defendant contends that the agreement is only an operating agreement, and, as such, it was not necessary to secure the Commission's consent to its execution.

*Held.* That the agreement is void, as this Commission's consent to the execution thereof has not been secured. Defendants given thirty days in which to apply to the Commission for permission to enter into such arrangements as they may desire in connection with the operation of the line owned by the Sacramento and Woodland Railroad.

*Eugene S. Wachhorst*, district attorney, and *Frank F. Atkinson*, deputy district attorney, for County of Sacramento.

*Charles W. Slack and A. M. Seymour, for Northern Electric Railway Company.*

*T. T. C. Gregory and C. J. Goodell, for Sacramento and Woodland Railroad Company.*

REPORT OF THE COMMISSION.

THELEN, *Commissioner.*

This complaint raises the question whether a certain agreement entered into on July 13, 1912, between Sacramento and Woodland Railroad Company and Northern Electric Railway Company is void, for the reason that the consent of this Commission was not applied for or secured, under the provisions of section 51 of the Public Utilities Act.

The complaint alleges, in effect, that the defendant railroad companies entered into the agreement on July 13, 1912, a copy whereof is attached to the complaint and marked "Exhibit A"; that the Railroad Commission has never authorized the execution of said agreement; and that the County of Sacramento is a party in interest and is interested in and a part owner of the so-called M-street bridge across the Sacramento River, referred to in said agreement. The complainant asks that this Commission determine that said agreement is void, and that neither of the railroad companies, parties thereto, acquired any rights thereunder, and for such other and further relief as this Commission has jurisdiction to give.

The joint answer of both defendants alleges that the approval of the Railroad Commission is not necessary to the validity of this agreement; that said agreement does not fall within any of the provisions of section 51 of the Public Utilities Act; that the railroad of the Sacramento and Woodland Railroad Company had never been operated prior to the date of said agreement, and that said railroad company has never owned, and does not now own, any rolling stock or operating equipment; that the Sacramento and Woodland Railroad Company owns no rights in the M-street bridge; and that the County of Sacramento has no interest in the subject-matter of this proceeding.

The hearing in this proceeding was held in Sacramento on January 26, 1914. The parties asked and were granted permission to file briefs, the last of which brief was filed on April 4, 1914.

Northern Electric Railway Company was incorporated under the laws of this State on September 19, 1907, for the purpose of constructing and operating all kinds of railroads in designated portions of northern California, as far south as the city of Sacramento. The estimated length of the proposed railroads and branches thereof is declared to be 230 miles. The amount of capital stock authorized is

250,000 shares, of the par value of \$100.00 each, being a total par value of \$25,000,000.00. On January 25, 1913, amended articles of incorporation were adopted, giving to the railroad the right to construct additional lines, the total mileage to be 349 miles. Among the additional rights conferred is the right to acquire all the rights, privileges, franchises and other property of the Vallejo and Northern Railroad Company, and to construct a railroad between Sacramento and Vallejo.

Sacramento and Woodland Railroad Company was incorporated under the laws of this State on July 20, 1911, for the purpose, among others, of constructing and operating railroads of all classes, "commencing in the city of Woodland, in the county of Yolo, State of California, and running thence in a general easterly direction by most advantageous, convenient, practicable and feasible route to the Sacramento River at or near the town of Elkhorn, in said county of Yolo; thence in a general southeasterly and easterly direction, by the most advantageous, convenient, practicable and feasible route, to and in the city of Sacramento, in the county of Sacramento; an estimated length of seventeen miles." The authorized capital stock consists of 10,000 shares, of the par value of \$100.00 each, making a total authorized par value of \$1,000,000.00.

The Sacramento and Woodland Railroad Company constructed its railroad from the city of Woodland to the west end of the M-street bridge at a point in Yolo County across the Sacramento River from the city of Sacramento, and operation on this line of railroad was commenced on July 15, 1912, under the agreement between the Sacramento and Woodland Railroad Company and the Northern Electric Railway Company, hereinafter more particularly referred to. The annual report of the Sacramento and Woodland Railroad Company for the year ending June 30, 1913, on file with this Commission, shows that all the authorized capital stock of this company has been issued and that of the total of 10,000 shares, 25 shares are held by the five directors and the remaining 9,975 are owned by the Northern Electric Railway Company.

The agreement which is drawn to the attention of this Commission by the County of Sacramento was entered into as hereinbefore stated, on July 13, 1912, between Sacramento and Woodland Railroad Company, hereinafter referred to as the Sacramento and Woodland, and the Northern Electric Railway Company, hereinafter referred to as the Northern Electric. The agreement first contains certain recitals, among which are the following: that the Sacramento and Woodland is the owner of a line of railroad from the city of Woodland to a point at or near the westerly end of the so-called M-street bridge, which is constructed across the Sacramento River and connects the city of Sacramento with the town of Broderick, in the county of Yolo; that the

Sacramento and Woodland has no cars or equipment for the operation of said line of railroad, while the Northern Electric has sufficient cars and equipment for this purpose; that the Northern Electric is the lessee of passenger and freight terminals in the city of Sacramento, and is also the owner of a one-third interest in the M-street bridge; and that the parties deem it to their mutual interest to enter into the agreement. The agreement between these parties then provides in part as follows: that the Northern Electric "shall forthwith enter into the possession" of the railroad of the Sacramento and Woodland, "and shall operate and maintain the said railroad for the account of the party of the first part (Sacramento and Woodland)" on the terms and conditions specified; that the Northern Electric "shall forthwith enter into the possession of the said railroad, and shall furnish, without charge to the party of the first part (Sacramento and Woodland), except as hereinafter otherwise provided, all motors, cars and other equipment necessary for the operation of the said railroad, and shall operate and maintain a sufficient and adequate service for the transportation of passengers, freight, baggage, mail and express" over the tracks of the Sacramento and Woodland and of the Vallejo and Northern Railroad Company between the city of Woodland and the terminals of the Northern Electric in the city of Sacramento; that the Northern Electric shall keep and maintain the railroad in good order, condition and repair, at the expense of the Sacramento and Woodland, and "shall perform all the lawful requirements pertaining to the operation of said railroad of the United States, State of California, said county of Yolo, the said county of Sacramento, the said city of Woodland, the said city of Sacramento and all other cities and towns in which the said railroad may be operated, and of all boards and officers thereof"; that the Northern Electric shall pay and discharge for account of the Sacramento and Woodland all lawful taxes, assessments and other governmental charges levied or assessed against the Sacramento and Woodland; that the Northern Electric shall pay the interest and sinking fund on the bonds of the Sacramento and Woodland; that the Northern Electric will, when called upon by the Sacramento and Woodland, execute or cause to be executed to the Sacramento and Woodland a lease of certain real estate located in the city of Woodland and belonging to the Vallejo and Northern Railroad Company; that the Northern Electric shall pay to the Sacramento and Woodland 50 per cent of the net income derived by the Northern Electric from the operation of the railroad, the net income to be determined by certain deductions from the gross income, as specified in the agreement; that the agreement shall remain in effect until July 1, 1941, and thereafter until a notice of at least sixty days has been given by the party desiring to terminate the arrangement,

subject to the right on the part of the Sacramento and Woodland to terminate the agreement at any time upon the failure of the Northern Electric to perform any of its obligations under the agreement; and that the agreement shall be binding upon and inure to the benefit of the successors and assigns of the respective parties thereto.

The County of Sacramento claims that this agreement is void under the provisions of section 51 of the Public Utilities Act, reading in part as follows:

*"Section 51 (a). No railroad corporation, street railroad corporation, pipe line corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation or water corporation shall henceforth sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its railroad, street railroad, line, plant or system, necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder, nor by any means whatsoever, direct or indirect, merge or consolidate its railroad, street railroad, line, plant or system, or franchises or permits or any part thereof, with any other public utility, without having secured from the commission an order so to do. Every such sale, lease, assignment, mortgage, disposition, encumbrance, merger or consolidation made other than in accordance with the order of the commission authorizing the same shall be void."*

The question to be determined in this proceeding is whether the agreement hereinbefore referred to comes within any of the foregoing provisions of section 51 of the Public Utilities Act. The County of Sacramento claims that the agreement amounts to a lease, and that if this contention is not correct, it at least amounts to a "disposition" of the railroad of the Sacramento and Woodland, or to an "encumbrance" of the same. The Northern Electric claims that the agreement is neither a lease nor a disposition nor an encumbrance of any part of the Sacramento and Woodland's property, but that it amounts simply to an operating agreement and does not fall within any of the provisions of section 51. The Northern Electric's counsel stated frankly that, in his opinion, the Railroad Commission ought to have control over such operating agreements, but contended that the provisions of section 51 are not broad enough to cover such an agreement. The briefs filed on behalf of the parties to this proceeding have gone exhaustively into the question at issue, and have been carefully considered.

The Northern Electric relies on certain authorities, referring to the well-known rule that a railroad corporation can not lease its property used or useful in the public service unless it has been specifically granted power so to do, and holding that the particular agreements under consideration did not amount to leases and that they could accordingly be entered into. The County of Sacramento refers to other authorities.



and particularly to *St. Louis, Vandalia and Terre Haute R. Co. vs. Terra Haute and Indianapolis R. Co.*, 145 U. S. 393, and *Winch vs. Birkenhead, etc., Junction Railway Co.*, 64 English Reports Reprint, 1243, holding that agreements containing many of the elements of the present agreement are leases. The Northern Electric refers to that portion of the agreement which provides that the line of the Sacramento and Woodland shall be operated by the Northern Electric "for the account of the party of the first part (Sacramento and Woodland)," draws attention to the fact that the agreement does not contain the words "lease," "tenant," "rent," or similar words generally used in leases, and contends that the agreement is more analogous to a cropping agreement than to a lease, and that it is in no event more than an operating agreement. The County of Sacramento replies that the agreement is not to be judged solely by the language which it uses, and that it shows on its face that the arrangement is not one simply for the account of the Sacramento and Woodland, but that it is just as much for the account of the Northern Electric, which is to enter into the possession of the line of the Sacramento and Woodland and operate the same, keeping 50 per cent of the net profits for itself.

The Northern Electric also relies on a certain agreement, dated January 2, 1913, between the Vallejo and Northern Railroad Company, the Sacramento and Woodland Railroad Company and the Oakland, Antioch and Eastern Railway, entered into subsequent to the agreement between the Northern Electric and the Sacramento and Woodland, in which agreement certain rights of way and trackage rights in Yolo County west of the M-street bridge are granted by the Vallejo Company and the Sacramento and Woodland to the Oakland, Antioch and Eastern Railway, including the right to use for apparently several hundred feet the right of way and tracks of the Sacramento and Woodland. The Northern Electric draws attention to the fact that this agreement was entered into subsequent to the date of its own agreement with the Sacramento and Woodland, hereinbefore referred to, and that the Northern Electric is not a party to the later arrangement with the Oakland, Antioch and Eastern Railway. From these facts the Northern Electric deduces the conclusion that it was the understanding of all the parties that the Northern Electric could not have secured any right amounting to a leasehold interest in the property of the Sacramento and Woodland, as otherwise the Northern Electric would have been made a party to the agreement with the Oakland, Antioch and Eastern Railway. I am not impressed by this argument. In the first place, practically the same people own and control the Northern Electric, the Sacramento and Woodland and the Vallejo and Northern. No arrangement which they may make between themselves can foreclose the right

of the public authorities to exercise the powers granted by the Public Utilities Act, and no course of action between themselves can take out from under the operation of section 51 of the Public Utilities Act any agreement which otherwise would come within the provisions of that section. I desire to draw attention, also, to the fact that the part played by the Sacramento and Woodland in the later agreement with the Oakland, Antioch and Eastern Railway is relatively insignificant. Only a small amount of track of the Sacramento and Woodland, amounting apparently to not over 200 feet, is involved, and the entire compensation to be paid by the Oakland, Antioch and Eastern Railway, amounting to \$58,307.00, is to be paid to the Vallejo and Northern, and no provision is made for the payment of any compensation to the Sacramento and Woodland.

The parties have referred to numerous authorities giving conflicting definitions of the words "lease," "disposition" and "encumbrance." The general significance of the term "lease" is too well known to require definition here. The term "disposition" is defined in 14 Cyc. 516, as follows:

"Generally used in connection with the preposition 'of' and means to determine the fate of; to exercise the power of control over; to fix the condition, application, employment, etc., of; to direct or assign for a use; to exercise finally one's power of control over; to pass over into the control of another."

The American and English Encyclopedia of Law, volume 9, page 540, while drawing attention to the fact that the word is frequently used as a synonym for alienation and complete transfer, also draws attention to the fact that it is used in another sense to mean "to exercise the power of control over; to fix the condition, application, employment, etc.; to direct or assign for a use."

The word "encumbrance" is also used in a large number of different ways. Among its other meanings, as shown by 22 Cyc. 72, are: "Anything that impairs the use or transfer of property" and "an embarrassment of an estate or property so that it can not be disposed of without being subject to it."

It will be unnecessary for the decision of this case to refer to the large number of authorities in which these words have been used in their varying senses. Before drawing attention to certain specific provisions in the agreement, I desire to refer to the argument of the Northern Electric as to the proper interpretation of section 51 of the Public Utilities Act, based on the language of the public utilities acts of other states, particularly the public service commissions law of New York.

The Northern Electric draws attention to the fact that the public service commissions law of New York specifically provides that no franchise nor any right to or under any franchise to own or operate

a railroad or street railroad shall be assigned, transferred or leased unless the consent of the appropriate commission has first been secured. From the fact that the word "operate" does not appear in section 51, the Northern Electric draws the conclusion that this section was not intended to cover an operating agreement. In this conclusion I can not concur. Section 51 was drawn with a full realization of the difficulties arising from the application to statutes of the rule of *inclusio unius est exclusio alterius*. Accordingly, instead of classifying each kind of agreement as to which the Commission's prior authority should be necessary, the section specifies the more important and usual of these agreements, viz, those of sale, lease, assignment and mortgage, and then, in order to cover all other arrangements affecting the title of possession of property used or useful in the public interest, the section adds the blanket words "or otherwise dispose of or encumber the whole or any part of its railroad . . . necessary or useful in the performance of its duties to the public." It is apparent that the California section was drawn with the specific purpose of obviating the embarrassment to which the New York Commission may well be subject by reason of the failure of the New York statute to contain any "catch-all" words and from the application of the rule of *exclusio alterius*.

I now desire to point out certain provisions of the foregoing agreement which must weigh heavily in the decision of this case.

The Northern Electric agrees that it will "forthwith enter into the possession of the said railroad." No provision whatsoever is contained for the joint possession between the Northern Electric and the Sacramento and Woodland or any other railroad. The agreement provides that the Northern Electric shall provide *all* the motors, cars and other equipment *necessary for the operation of the said railroad*. There is no suggestion here that the Sacramento and Woodland is to acquire motors, cars and other equipment of its own and to operate the same over its line concurrently with the Northern Electric, or that any other railroad is to operate any portion of the motors, cars and other equipment necessary for the operation of the railroad. The agreement further provides that the Northern Electric is to operate and maintain "a sufficient and adequate service" for the transportation of passengers, freight, baggage, mail and express over the railroad of the Sacramento and Woodland. If the Northern Electric is to maintain a service which is to be sufficient and adequate for all transportation purposes over the line of the Sacramento and Woodland, it would hardly seem reasonable or sensible that the Sacramento and Woodland should thereafter itself enter into the possession of the property and install a service in addition to a sufficient and adequate service already installed by the Northern Electric. The inference seems clear that the possession is to be in the

Northern Electric alone and that the Northern Electric is to have the rights generally belonging to a tenant of property in this regard. The fact that the Northern Electric is to maintain and repair the property at the expense of the Sacramento and Woodland is not necessarily conclusive, for the reason that the Northern Electric might undertake this obligation either as agent or as tenant. In the next breath, however, the Northern Electric agrees to perform "*all the lawful requirements pertaining to the operation of the said railroad*" on the part of the United States, the State of California, or any county or city. In other words, the public authorities, in all matters referring to the operation of the line of the Sacramento and Woodland, are to deal exclusively with the Northern Electric. If a railroad in this State, subject to duties to the public of this State, is to have the right by entering into so-called "operating agreements" to eliminate itself entirely from any relationship with the public and to substitute an "agent," so that the public may henceforth look only to such "agent" and not to the railroad owning the property, without any right on the part of the public authorities to have anything to say in connection with such arrangement, the result will be that a power most necessary to the Railroad Commission in the exercise of its functions has been withheld from the Commission. In my opinion, the authorities charged with the execution of the Public Utilities Act should be slow to reach the conclusion that the act does not cover such an arrangement.

The agreement also provides that it shall continue in force for almost thirty years, until July 1, 1941, and thereafter, unless terminated by either party on sixty days' notice, and that the Sacramento and Woodland shall have no right to terminate the agreement for any reason except on the failure of the Northern Electric to keep and perform its covenants and agreements. In other words, unless the Northern Electric fails to keep and perform its covenants and agreements, the Sacramento and Woodland is to have no right to put the Northern Electric out of possession of the property and to prevent it from operating all the equipment necessary to operate the railroad, from maintaining a sufficient and adequate service for all transportation necessities and from itself dealing with all public authorities with reference to all requirements in connection with the operation of the railroad.

Under the authorities hereinbefore referred to, it may well be held that this agreement actually amounts to a lease. It is not necessary, however, to decide this point, for the reason that the agreement is certainly a disposition or encumbrance of the property. The agreement certainly establishes the condition and use of the property, passes the same into the control of the Northern Electric, and embarrasses the estate or property so that the railroad can not be disposed of without being subject to this agreement. The agreement specifically provides

that it shall be binding both upon the Sacramento and Woodland and upon its successors and assigns. This is not a case in which a principal has an agent whom he can discharge at pleasure, but is a case in which the principal has tied up his property in such a way that the party who has been placed in possession thereof may insist on his right to remain in possession and to operate the property in his own way for a period of almost thirty years, notwithstanding any number of transfers of the property in the mean time from one owner to another.

I am of the opinion that this agreement comes both within the language and the spirit of section 51 of the Public Utilities Act, and that the agreement is void for the reason that this Commission's consent to its execution has not been secured.

This Commission does not desire to embarrass the Northern Electric or the Sacramento and Woodland, and desires to give to these carriers full opportunity to accomplish in a legitimate way such arrangements as this Commission may, after hearing, approve. I accordingly recommend that the Northern Electric and the Sacramento and Woodland be given thirty days within which to file with this Commission an application for authority to enter into such arrangement with reference to the railroad of the Sacramento and Woodland as these parties may desire to present to this Commission for its approval, and that, in the mean time, the Northern Electric be permitted to continue its operation of this line under the arrangement now obtaining between them. If such application is not filed within said thirty days' period, it will be necessary for this Commission to take the steps prescribed by the Public Utilities Act for the enforcement of the provisions thereof.

I submit herewith the following form of order:

#### ORDER.

The County of Sacramento having filed with this Commission its complaint against the Northern Electric Railway Company and the Sacramento and Woodland Railroad Company, alleging that a certain agreement entered into between said companies on July 13, 1912, affecting the line of railroad of the Sacramento and Woodland Railroad Company, is void for the reason that this Commission's authority to the execution thereof has not been secured, and the defendants having answered and a public hearing having been held, and the Commission being fully advised in the premises, the Railroad Commission hereby finds that said agreement is void, for the reason that this Commission's authority to the execution thereof has not been secured, as provided in section 51 of the Public Utilities Act. The Northern Electric Railway Company and the Sacramento and Woodland Railroad Company are hereby given thirty (30) days from the date of the service upon them of a copy of this order within which to apply to this Commission

for authority to enter into such arrangement as they may desire to propose to this Commission in connection with the line of railroad of the Sacramento and Woodland Railroad Company; and, in the mean time, the Northern Electric Railway Company may continue to operate the line of the Sacramento and Woodland Railroad Company under the operating conditions at present obtaining as between these two railroads.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of April, 1914.

---

DECISION No. 1424.

IN THE MATTER OF THE APPLICATION OF NORTHERN ELECTRIC RAILWAY COMPANY, VALLEJO AND NORTHERN RAILROAD COMPANY AND WEST SIDE RAILROAD FOR AN ORDER AUTHORIZING THE SALE AND TRANSFER TO WEST SIDE RAILROAD OF THE RIGHT AND INTEREST IN THE M-STREET HIGHWAY AND RAILROAD BRIDGE ACROSS THE SACRAMENTO RIVER BETWEEN THE COUNTIES OF SACRAMENTO AND YOLO, HERETOFORE OWNED BY VALLEJO AND NORTHERN RAILROAD COMPANY.

---

Application No. 878.

*Decided April 10, 1914.*

---

Northern Electric Railway Company and Vallejo and Northern Railroad Company jointly apply with the West Side Railroad for permission to transfer to the latter company, for the sum of \$140,593.69, their right and interest in the M-street bridge over the Sacramento River. Protestants contend that owing to the fact that the West Side Railroad is to run over a different route than the road to which the franchise was originally granted, such franchise can not be transferred, and, also, as they have obligated themselves to make certain payments in connection with said bridge, such transfer will deprive them of compensation for an additional use thereof.

*Held*, That the West Side Railroad Company has no right to the use of the M-street bridge unless it has first secured the proper franchises. Application dismissed without prejudice to the right of petitioners to again apply after the West Side Railroad has secured the necessary franchises and been authorized by the Commission to exercise rights thereunder.

*Charles W. Slack and Arthur M. Scymour*, for Northern Electric Railway Company.

*T. T. C. Gregory* and *C. J. Goodell*, for Vallejo and Northern Railroad Company.

*John J. Partridge*, for West Side Railroad.

*Lester J. Hinsdale*, for Oakland, Antioch and Eastern Railway, protestant.

*Eugene S. Wachhorst*, district attorney, and *Frank F. Atkinson*, deputy district attorney, for County of Sacramento, protestant.

*A. G. Bailey*, district attorney, for County of Yolo, protestant.

#### REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is a joint application on behalf of the Northern Electric Railway Company, hereinafter called the Northern Electric, Vallejo and Northern Railroad Company, hereinafter called the Vallejo and Northern, and West Side Railroad, hereinafter called the West Side, for an order authorizing the transfer by the Northern Electric and the Vallejo and Northern to the West Side of the right and interest heretofore owned by Vallejo and Northern in the M-street railroad and highway bridge across the Sacramento River, in Sacramento County, and the town of Broderick, in Yolo County.

The hearing on this application was held in the city of Sacramento on January 26, 1914. At the hearing the County of Sacramento, the County of Yolo, and the Oakland, Antioch and Eastern Railway, hereinafter referred to as the Oakland and Antioch, appeared and protested against the granting of the application. In accordance with the request of the parties, permission was given to file briefs. The last brief was filed on April 4, 1914, and the application is now ready for decision.

The petition in this case, after containing the usual averments with reference to the incorporation of the three corporations which appear as joint applicants refers to Ordinance No. 113 of the county of Sacramento, adopted on March 22, 1910, granting to Northern Electric Railway Company certain rights in the M-street bridge; also to Ordinance No. 119 of the board of supervisors of Sacramento County, adopted on December 30, 1910, granting certain rights in the M-street bridge to the Vallejo and Northern; and also to the proceedings taken before this Commission on Application No. 382 and to this Commission's Decision No. 464, rendered on February 18, 1913, authorizing the Vallejo and Northern to sell and transfer all its property and franchises to the Northern Electric. The petition then recites that the West Side desires to purchase from the Northern Electric and the Vallejo and Northern, and that the latter companies desire to sell to the West Side that certain right and franchise which was granted to the Vallejo and Northern

by said Ordinance No. 119 of the board of supervisors of Sacramento County; that neither the Northern Electric nor the Vallejo and Northern require the right granted by said ordinance to the Vallejo and Northern; that the West Side does require said right in order to serve the public between the town of Broderick and southerly thereof and the city of Sacramento; that the consideration for the transfer agreed upon between the parties is the sum of \$140,593.69; and that attached to the petition is a copy of the form of the proposed conveyance. The petitioners ask this Commission to make its order authorizing the transfer and assignment of the right and franchise granted to the Vallejo and Northern by said Ordinance No. 119. At the hearing the petitioners asked authority to amend their petition so as to ask for authority to transfer all the rights which the Vallejo and Northern formerly had in the M-street bridge, including in addition to the rights granted by the county of Sacramento by Ordinance No. 119, also the rights which the Vallejo and Northern had as part owner of the M-street bridge under a contract with the Northern Electric. The application to so amend the petition was granted.

At the hearing protests were filed by the County of Sacramento, the County of Yolo and the Oakland and Antioch. The protests of the County of Sacramento and the County of Yolo refer to the fact that the route of the Vallejo and Northern was to be between Sacramento and Vallejo, while the route of the West Side is to be between Sacramento and Rio Vista, over an entirely different course. The counties take the position that a franchise to run from Sacramento to Vallejo can not be assigned to a railroad which is to run from Sacramento to Rio Vista over an entirely different route. They also claim that by reason of certain payments which they have obligated themselves to make in connection with the M-street bridge, they have a pecuniary interest therein, and that the arrangement which the petitioners ask this Commission to sanction is such that those two counties are to be deprived of compensation for an additional use of the bridge, to which compensation they believe themselves entitled. The Oakland and Antioch likewise takes the position that the use of the M-street bridge by the West Side is an additional use to which it is entitled through its pro rata payment and protests against any transfer of the right formerly held by the Vallejo and Northern in such a way as to deprive the Oakland and Antioch of any compensation.

In order to secure a clear understanding of the situation, it will be necessary to examine the facts somewhat in detail.

The Northern Electric Railway Company was incorporated on September 19, 1907, for the purpose of constructing railroads to be operated by steam, electricity or other motive power throughout portions of



northern California as far south as the city of Sacramento, a total distance of 230 miles. These articles were amended on or about February 5, 1913, so as to give to the Northern Electric the right to construct additional lines of railway, so that the total authorized mileage is now 339 miles. In the amended articles, the Northern Electric was specifically granted the right to buy all the franchises and property of the Vallejo and Northern Railroad Company and to construct a line of railroad over the contemplated route of the Vallejo and Northern. In order to enable the Northern Electric to build its additional lines of railway west and south of the city of Sacramento, it became necessary to construct a bridge along an extension of M street westerly across the Sacramento River to a point in Yolo County. Under the act of March 14, 1881 (Statutes 1881, page 76), the power to erect bridges on public highways across navigable streams in this State or to grant franchises to individuals or corporations for the same is granted to the boards of supervisors of the several counties of this State. Section 2 of the act provides as follows:

“The power to grant franchises to individuals or corporations, to construct bridges, and the regulation of tolls thereon, shall be exercised by the county on the *left bank* of all streams.”

Section 3 provides as follows:

“Where a navigable stream is a boundary line between the counties the boards of supervisors of such counties may join in the construction of the bridge, upon such terms as may be agreed upon; provided, however, that in case of a failure to agree, either county may build the bridge and maintain control thereof.”

In 1907 another statute referring to the construction of bridges over navigable streams between adjoining counties was passed. This statute was approved on March 23, 1907, and is found on page 982 of the statutes of 1907. Section 1 thereof provides in part as follows:

“In case it shall appear to the boards of supervisors of two adjoining counties that any bridge shall be necessary for highway purposes, over any navigable river, stream or inlet of the sea, between said counties . . . the boards of supervisors of such counties may, in their discretion, enter into an arrangement with any person or corporation for the building of a joint bridge . . . and to provide for the construction and use thereof in such manner and upon such terms and conditions as may be agreed upon between such counties and such person or corporation.”

The section then contains a proviso to the effect that in no event shall either county agree to contribute more than one third of the cost of construction of any such joint bridge.

Acting apparently under the provisions of these statutes, the Northern Electric applied to the county of Sacramento for authority to construct a railroad and highway bridge on an extension of M street across the Sacramento River from Sacramento County to Yolo County. On March 22, 1910, the board of supervisors of Sacramento County adopted Ordinance No. 113, granting to the Northern Electric Railway Company, its successors and assigns, "the right, privilege, permission and franchise to construct, maintain and operate a combination railroad, wagon-way and foot-passenger bridge over and across the Sacramento River between the county of Sacramento, State of California, and the county of Yolo, State of California." The ordinance provided that the term of the franchise was to be fifty years, that the work of construction should be commenced within two years after the approval by the War Department of the United States of the location and plans for the bridge and should be prosecuted with reasonable diligence until completion, and that the Northern Electric, its successors and assigns, "shall maintain and keep in repair and shall operate and police said bridge at its own cost, unless hereafter otherwise specifically agreed by and between said grantee, its successors and assigns, and said county of Sacramento."

Section 9 specifically grants to the Northern Electric, its successors and assigns, "the right to use said bridge for railroad and highway purposes," but the section also provided that the Northern Electric should have no right to collect tolls from any person for the use of the bridge, but that nothing contained in the ordinance should be construed as giving the general public the right to use the bridge unless by special agreement between the county of Sacramento and the Northern Electric. The section also provides that the county of Sacramento "shall have the right and option to acquire the use of said bridge for public highway purposes, upon the payment of said grantee herein, its successors or assigns, of such an amount as may hereafter be mutually agreed upon." This section concludes with the provision that if the county of Sacramento should acquire the right of using the bridge for public highway purposes, the Northern Electric and all other electric railroads using the bridge should pay the cost of operation and maintenance, but that the county of Sacramento should pay to such railroad companies, on account of such cost of operation and maintenance, the sum of \$2,000.00 per annum.

Section 10 reserves to the county of Sacramento the right "to grant to three other electric railroad companies the right to use said bridge on such terms as may be just." The section also provides that if the Vallejo and Northern Railroad Company secures a franchise from the board of supervisors, this company shall share equally with the Northern Electric

in the cost of construction, maintenance, operation and use of the bridge. The section continues as follows:

*“If any other electric railroad company, other than said Northern Electric Railway Company and said Vallejo and Northern Railroad Company, shall hereafter be granted the right, privilege and franchise, by the board of supervisors of said county of Sacramento, to use said bridge, each of such electric railroad companies shall pay to the county, grantor hereof, and to said Vallejo and Northern Railroad Company, and also to such other persons and counties who may have joined in the construction of said bridge, its proportion of the original cost of the construction of said bridge and of all subsequent outlays thereupon, and should said county of Sacramento elect to exercise the option hereinbefore reserved of joining in the use of said bridge and of paying its proportion of the cost of the construction thereof, as herein provided, it is understood that said county of Sacramento shall be paid its equal proportion of whatever amount may be so paid by any such other electric railroad company using said bridge as herein provided.”*

Section 11 of the ordinance declares that the franchise is granted for the purpose of enabling the Northern Electric “to connect its railroad already constructed and in operation from the city of Chico, county of Butte, State of California, to and in the city of Sacramento, county of Sacramento, State of California, with its railroad to be constructed from and in said city of Sacramento, county of Sacramento, State of California, to the city of Woodland, county of Yolo, State of California.”

The Vallejo and Northern Railroad Company was incorporated on or about October 20, 1909, for the purpose of constructing and operating a line of railroad from the city of Vallejo in a general northerly and northeasterly direction through Napa Junction, Jamison Canyon, the town of Cordelia, the town of Fairfield, the town of Cement and the town of Broderick into the city of Sacramento, a total length of 62 miles, with certain branches. The testimony on this application shows that this railroad, as well as the Sacramento and Woodland Railroad Company, which was incorporated to construct a line of railroad from Sacramento westerly to the town of Woodland, were both controlled from the outset by the financiers in control of the Northern Electric Railway Company.

On August 2, 1910, a contract was entered into between the Northern Electric, the Vallejo and Northern, the County of Sacramento and the County of Yolo, providing for the construction, maintenance, use and operation of a joint railroad, public highway and foot-passenger bridge over the Sacramento River on an extension of M street, this being the same bridge mentioned in Ordinance No. 113, hereinbefore referred to. The agreement provides in part that the two electric companies will

construct the M-street bridge according to designated plans and specifications; that the electric companies lease to the counties of Sacramento and Yolo the right to use the highway portions of the bridge for public highway purposes until December 15, 1917, on the payment by the county of Sacramento of the sum of \$118,668.27, to be paid in designated installments, and on the payment by the county of Yolo of the sum of \$53,333.33, also in installments; that when these payments have been made, the electric companies will grant to the counties the easement and privilege of using the highway portion of the bridge, during the life of the proposed railroad bridge for railroad purposes; that until December 15, 1911, the electric companies will repair and operate and police the bridge at their own expense, but that after December 15, 1911, the sum of \$2,000.00 per annum shall be paid to them on account of this work, as provided in Ordinance No. 113; that of this sum of \$2,000.00 the county of Sacramento shall pay the sum of \$1,333.33 and the county of Yolo the sum of \$666.66; that the bridge shall cost approximately the sum of \$380,000.00; and that the agreement is made in pursuance of the statute of March 23, 1907, hereinbefore referred to, and of the other statutes of this state applicable thereto. This contract does not seem to contain any provision with reference to the possibility of additional franchises or of the payment to the counties of Sacramento and Yolo of compensation by additional electric railroad companies which might thereafter use the bridge. The provisions bearing on these subjects are apparently to be found solely in the ordinances of the county of Sacramento granting franchise rights.

On December 30, 1910, the board of supervisors of Sacramento County adopted Ordinance No. 119, granting to the Vallejo and Northern Railroad Company "the right, privilege, permission and franchise to join in the construction, maintenance, use and operation" of the M-street bridge. The franchise is made coterminus with that of the Northern Electric, and it is provided that the Vallejo and Northern shall share equally with the Northern Electric in the cost of construction, maintenance, operation, and use of the bridge. Section 4 of the ordinance specifies that the franchise thereby granted shall be construed "to be one of the three rights to use said bridge, the right to grant which to two other electric railroad companies was reserved in said ordinance granting the franchise to construct said bridge to said Northern Electric Railway Company, a corporation." Section 5 specifies that the franchise granted to the Vallejo and Northern is subject to all the conditions, limitations and reservations set forth in Ordinance No. 113, granting a similar franchise to the Northern Electric. Section 6 specifies that the franchise is granted "for the purpose of enabling the Vallejo and Northern to connect the route of its railroad in the city of Sacramento, county of Sacramento, State of California, to and with

its route in the county of Yolo, State of California." It thus appears that the contract for the construction of the M-street bridge was entered into by the Vallejo and Northern before it secured its franchise from the county of Sacramento.

On June 29, 1912, the board of supervisors of Sacramento County adopted Ordinance No. 130, granting to the Oakland, Antioch and Eastern Railway, its successors and assigns, "the right, privilege, permission and franchise to join in the construction, maintenance, use and operation" of the M-street bridge. This franchise was made co-terminus with that of the Northern Electric. The ordinance provided, in section 3, that the Oakland and Antioch "shall pay its proportion of the original cost of the bridge and of subsequent outlays thereupon to the counties of Sacramento and Yolo and to said Northern Electric Railway Company and the Vallejo and Northern Railroad Company." Section 5 provides that the franchise granted shall be construed to be one of the three franchises to use the M-street bridge, the right to grant which was expressly reserved in Ordinance No. 113 to the county of Sacramento. The franchise was declared, by section 6, to be subject to all the conditions, limitations and reservations specified in Ordinance No. 113. On the same day on which this ordinance was passed, a contract was entered into between the Northern Electric, the Vallejo and Northern and the Oakland and Antioch, on the one hand, and the county of Yolo and the county of Sacramento, on the other, providing for the construction and subsequent use of the M-street bridge. Under this contract the Oakland and Antioch obligated itself to pay \$43,424.11 to the Northern Electric, \$43,424.11 to the Vallejo and Northern, \$24,290.42 to the county of Sacramento, and \$12,145.21 to the county of Yolo. The Northern Electric agreed to continue the construction of the bridge to completion, and the parties agreed that the contract of August 2, 1910, between the two counties, the Northern Electric and the Vallejo and Northern should continue in force and that they should apply, in so far as applicable, to the Oakland and Antioch. The Oakland and Antioch agrees to pay to the county of Sacramento yearly the sum of \$500.00, and to the county of Yolo yearly the sum of \$250.00 "as a partial reimbursement to said counties of the sums agreed by them to be paid annually toward the cost and expense of the maintenance and operation" of the M-street bridge. The contract further provides that upon the payment of the sums to be paid to the Northern Electric and the Vallejo and Northern, the Oakland and Antioch "shall be and it is hereby granted an interest and ownership in said bridge equal in extent to the interest and ownership" of the Northern Electric and the Vallejo and Northern. Thereafter, on July 8, 1912, the Northern Electric granted, bargained and sold to the Oakland and Antioch a one-

sixth interest in the bridge, and on the same day the Vallejo and Northern executed a similar deed also conveying a one-sixth interest in the bridge.

The M-street bridge was thereafter completed and placed in operation. As far as the present analysis has proceeded, the bridge was owned by the Northern Electric, the Vallejo and Northern and the Oakland and Antioch, each owning a one-third interest therein, and the counties of Yolo and Sacramento have been given a right to the use of the public highway portion thereof for highway purposes upon the payment of the sums of money hereinbefore specified, and the county of Sacramento having elected to exercise the option of joining in the use of the bridge, and of paying its proportion of the cost of construction thereof, as provided in section 10 of Ordinance No. 113, had acquired the right to be paid its equal proportion of such amount as might thereafter be paid by any other electric railroad company using the bridge, and had secured payment under this right from the Oakland and Antioch. Two franchises for the use of the bridge, in addition to the one originally granted to the Northern Electric, had been granted by the county of Sacramento, and the right to grant an additional franchise to some other electric railroad still subsisted in the county of Sacramento.

On January 27, 1913, the Vallejo and Northern filed with the Railroad Commission its application for an order authorizing it to sell to the Northern Electric its entire railroad system and properties. These properties consisted of scattered parcels of real estate, of certain franchises, together with two disconnected pieces of track, the one in the city of Sacramento and the other running a few miles northerly from the city of Suisun, together with other rights to which it is not necessary here to refer. The rights to be conveyed included the rights of the Vallejo and Northern under Ordinance No. 119 of the county of Sacramento.

On February 18, 1913, this Commission, in its decision No. 464, authorized the transfer to the Northern Electric Company of all the property of the Vallejo and Northern as prayed for in the petition.

The testimony in this proceeding shows that the Vallejo and Northern has never run any cars across the M-street bridge and has never in any way used the bridge. The Vallejo and Northern's position in relation to the bridge was that it owned a one-third interest therein, but had never used the same for railroad purposes. The one-third interest in the bridge formerly belonging to the Vallejo and Northern now belongs to the Northern Electric, so that this company now owns a two-thirds interest in the bridge, while the Oakland and Antioch owns a one-third interest.

The Northern Electric and the Vallejo and Northern now ask authority to sell to the West Side for the sum of \$140,593.69 both the franchise heretofore granted to the Vallejo and Northern by Ordinance No. 119 and the property right formerly owned by the Vallejo and Northern as the result of its payment of one third of the cost of constructing the bridge.

The two protestant counties make no claim that the property interest in the bridge should not be assigned, but they do protest against the transfer of the franchise rights formerly owned by the Vallejo and Northern as distinguished from that company's property interest in the bridge. The protestant Oakland and Antioch asks merely that in such transfer as may be made its interests as a one-third owner in the bridge may be protected. It is necessary to distinguish carefully between the right to use this bridge for the purpose of transportation, and the property rights therein arising from a payment of a portion of the money used to construct the same.

Referring to the first point, there seems much merit in the contention of the two counties that this Commission should not authorize the transfer by the Northern Electric of the rights which the Vallejo and Northern may have had to use the bridge for the purpose of conveying passengers, freight, baggage or express over the same. The evidence shows that the Vallejo and Northern never used this right. A *quo warranto* proceeding has now been brought by the State of California to declare this franchise forfeited. Furthermore, I desire to draw attention to the fact that the purpose for which the Vallejo and Northern was to use the bridge was for the purpose of transportation along its proposed route from the city of Sacramento to the city of Vallejo, while the purpose for which the West Side desires to use the bridge is for interurban passenger and possibly freight service from Sacramento across the bridge down the west side of the Sacramento River, a few miles to the headquarters of the West Sacramento Land Company, and possibly hereafter a few miles farther to the town of Rio Vista. The two routes are entirely different. It may well be that the public authorities having control over the question of the granting of the franchise across the M-street bridge might be perfectly willing to grant a franchise in connection with the operation of a railroad of considerable magnitude and importance to the people of Sacramento, whereas they might be unwilling to grant such a franchise to a small line of railroad running only a few miles into Yolo County, and particularly so in a case in which the county has undertaken to limit the number of railroads for which it may grant franchises across this bridge. In my opinion, the West Side Railroad has no right to operate across the M-street bridge unless it first secures from the competent public author-

ity the right to use this highway for its railroad purposes, and that it can not secure such right by securing an assignment of the rights formerly held by the Vallejo and Northern. The West Side has as yet secured no franchise from the county of Sacramento and none from the city of Sacramento.

Whether this Commission should approve the exercise by the West Side of the rights which it may hereafter secure from the competent public authorities under the usual franchise, is a matter which, in my opinion, should not be determined until this Commission knows whether the public authorities are willing to grant such franchise, and, if so, on what terms.

In view of the fact that no such franchise has as yet been secured, it seems premature for this Commission to pass on the question whether it will authorize the Northern Electric to sell to the West Side a part of its property interests in the M-street bridge. It certainly seems undesirable that a property interest in this bridge should be owned by any corporation or individual which does not need an interest in the same. Otherwise, the interest of such person or corporation might serve to block a railroad company thereafter trying to enter the city of Sacramento over this bridge. If the West Side is to secure a property interest in this bridge, it should be only after the competent public authorities have granted the necessary franchise or franchises, and after the West Side has been authorized by this Commission to exercise the rights and privileges thus conferred.

I, accordingly, recommend that this petition be dismissed, without prejudice, to a further filing of the appropriate petition when the West Side has secured the necessary franchise or franchises from the city of Sacramento or the county of Sacramento, or both. It must be borne in mind in this connection that the city of Sacramento extends to the middle of the navigable portion of the Sacramento River and that this bridge is constructed on the line of M street in the city of Sacramento. It must also be borne in mind that under the statutes of 1881 and 1907, hereinbefore referred to, the M-street bridge could not originally have been constructed without a franchise from the county of Sacramento, and there seems much reason to hold that the county's original authority extends to the acquisition of interests therein by subsequent parties.

I submit herewith the following form of order:

#### ORDER.

Northern Electric Railway Company, Vallejo and Northern Railroad Company and West Side Railroad having applied for an order authorizing the sale and transfer by the Northern Electric Railway Company and the Vallejo and Northern Railroad Company to West Side Railroad of such property interest and franchise as the Vallejo and Northern Railroad Company may have heretofore owned in the M-street bridge



between Sacramento County and Yolo County, and a public hearing having been held upon said application, and the County of Sacramento, the County of Yolo and the Oakland, Antioch and Eastern Railway having appeared and protested against the granting of said application, and the application having been submitted and the Commission finding that it can not authorize the transfer to West Side Railroad of such franchise rights to use the M-street bridge as the Vallejo and Northern Railroad Company may have had, and that the West Side Railroad has secured no franchise from the competent authorities for the use of said bridge for its line of railroad, and that it would be premature to pass upon the question of a transfer of any property interest in said bridge until West Side Railroad has secured the necessary franchise or franchises from the competent public authorities.

*It is hereby ordered* that such petition be and the same is hereby dismissed, without prejudice, however, to the right of petitioners hereafter to file another application when West Side Railroad shall have secured from the competent public authority the right and franchises to use the M-street bridge for the purpose of its business as a common carrier.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of April, 1914.

---

DECISION No. 1425.

GEM CITY PACKING COMPANY

vs.

SAN JOSE WATER COMPANY.

---

Case No. 489.

*Decided April 11, 1914.*

---

Complainant alleges that it has been receiving water from defendant through a pipe owned by the county of Santa Clara, and that owing to an order from the board of supervisors of said county, they have been refused service through this pipe line.

*Held*, Parties to agree upon a plan for the construction of a new tap line from the nearest main of defendant to complainant's plant, and to submit same within twenty days, at which time the Commission will decide upon the division of the cost thereof.

*Louis Oncal and E. J. Rankin*, for Complainant.

*Leib & Leib*, for Defendant.

## REPORT OF THE COMMISSION.

ESHLEMAN, *Commissioner*.

The complaint in this case alleges that the complainant has been receiving water from the San Jose Water Company, a public utility, at its packing-house in the county of Santa Clara through the two-inch pipe owned by Santa Clara County; that originally this pipe was used to supply the county of Santa Clara alone, but, subsequently, other users were permitted to take therefrom; that for ten years last past complainant has been securing water through said pipe, but that in 1913, the board of supervisors permitted others to receive water through this pipe and refused longer to permit the complainant to receive such water. It is in evidence that the complainant has invested in the neighborhood of \$25,000.00 in its packing-house and that water through this pipe is absolutely essential to the continuance of its business.

The defendant admits most of the allegations of the complaint, but urges that the water was furnished through the county pipe with the knowledge of the complainant, and that this complainant, as well as all other complainants, has known that it is the county pipe and that the use of it is controlled by the county.

San Jose Water Company evinces its willingness to continue the delivery of water and it is admitted that there is plenty of water to deliver to this complainant. San Jose Water Company likewise alleges that it has offered to expend \$700.00 to take the pipe from the end of its present facilities to the boundary line of Los Gatos provided the applicant would connect up at that place. About \$20.00 or \$25.00 a month during the packing season is paid by the complainant for its service.

Two very difficult legal questions are presented in this case, and exhaustive briefs have been filed but have not satisfied me as to the correct determination of these two questions. First, what is the relationship of the county of Santa Clara to these water users taking from this pipe which it (the county of Santa Clara) owns but which is used by a public utility water company in delivering water not only to it (the county of Santa Clara) but to others who by the permission of said county of Santa Clara have been attached to this pipe? Second, if the county of Santa Clara has the right to refuse the use of this pipe longer to these consumers, other than itself, what is the liability of the San Jose Water Company to the consumers who have heretofore taken water through this pipe?

I do not feel that it is necessary under the peculiar facts of this particular case, to decide these two interesting and important questions. It seems to me that the complainant is entitled to a continuance of its water supply, either through this pipe or by substituted facilities.

Because of the overtaxing of this pipe and of the further fact that the complainant herein is a comparatively larger user of water, it is probably better in the interest of efficiency of service that other facilities be accorded to the complainant; and that without deciding the right to the continuance of the supply through the county pipe, and without deciding either that the county having once accorded the right to use this pipe can withdraw this right or can not withdraw this right, I believe the present complaint can be settled between the parties themselves. It is certainly very much to the interest of the Gem City Packing Company to have an adequate and constant supply of water for its uses. The San Jose Water Company has plenty of water to furnish to the complainant. It is in evidence that regardless of the condition with reference to other users from this pipe belonging to Santa Clara County, that this complainant knew the pipe belonged to Santa Clara County at the time it began securing water and at the time it erected its packing-house. If all are treated alike on this pipe, and the county uses the water as its necessities require for sprinkling roads and similar purposes, the complainant will not, even though it should be decided that it has the right to participate in this use, always be able to secure water when it desires.

I believe under all the circumstances of the case that a new pipe should be constructed, suitable to furnish the complainant, at the joint expense of the Santa Clara Water Company and the complainant. I will not at the present time enter an order in this case, but the parties are directed to present to this Commission plans for a pipe line from the San Jose Water Company's facilities to the packing-house of the defendant suitable to serve the needs of the complainant, and to submit estimates as to the cost of the same, after which the Commission will direct how such costs shall be divided. As I have already said, I believe that in some manner this complainant should be given water and that the San Jose Water Company should be required to deliver it water, but I do not intend to be understood as deciding that the San Jose Water Company should be required to extend pipes to all of the numerous scattered consumers throughout Santa Clara County who are now taking from the county pipe. Nor do I intend to decide that this company may not be required to do so; neither do I decide what the liability on the county of Santa Clara is, imposed by its voluntary submission of these pipes to the use of consumers taking water from the San Jose Water Company. These matters are left open for subsequent determination provided necessity requires.

The parties are therefore directed to submit to this Commission within twenty (20) days, plans for the construction of a pipe line from the nearest pipe of the San Jose Water Company to the packing-

house of the complainant, together with an estimate of the cost thereof, whereupon this Commission will decide what payment shall be made by each of the parties hereto.

The foregoing opinion is hereby approved and ordered filed as the opinion of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of April, 1914.

---

DECISION No. 1426.

IN THE MATTER OF THE APPLICATION OF SANTA MONICA  
WATER COMPANY FOR AUTHORITY TO EXERCISE  
FRANCHISE RIGHTS GRANTED BY THE CITY OF SANTA  
MONICA.

---

Application No. 1048.

*Decided April 11, 1911.*

---

Applicant granted a certificate of public convenience and necessity to exercise certain rights under a franchise granted by the city of Santa Monica, authorizing it to maintain a water distributing system in a certain portion of said city.

*Herbert J. Goudge*, for Applicant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application by Santa Monica Water Company for authority to exercise rights and privileges granted by the city of Santa Monica under General Ordinance No. 205, adopted on December 15, 1913.

This ordinance gives to Santa Monica Water Company authority to maintain a water system in a certain portion of the city of Santa Monica for a period of thirty years. The territory embraced in this franchise includes only those sections in which Santa Monica Water Company has heretofore been operating. Three other companies also operate water systems in Santa Monica.

As Santa Monica Water Company was serving water to the inhabitants of Santa Monica prior to October 10, 1911, it has all the powers sought to be conferred by this franchise. (See recent decision of United States Supreme Court in *Economic Gas Company* case in confirmation of this.)

This application was made, however, as a preliminary measure to certain financial and other matters which the company has in view.

While it is obvious that the order of this Commission is not necessary in this matter, the approval of the franchise may be given in lieu of a dismissal of the application.

I, therefore, recommend the following order:

**ORDER.**

Santa Monica Water Company having applied to this Commission for authority to exercise franchise rights granted in Ordinance No. 205 by the city of Santa Monica heretofore, on December 15, 1913, and a hearing having been held, it is found as a fact that public convenience and necessity require that Santa Monica Water Company be given authority to exercise such powers, rights, and privileges as are conferred by said franchise.

*It is therefore ordered* that Santa Monica Water Company be given authority, and it is hereby given authority, to exercise the powers, rights and privileges granted under General Ordinance No. 205 by the city of Santa Monica heretofore referred to.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of April, 1914.

---

DECISION No. 1427.

IN THE MATTER OF THE APPLICATION OF SAWTELLE  
WATER COMPANY FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY TO OPERATE UNDER  
A FRANCHISE GRANTED BY THE CITY OF SAWTELLE.

---

Application No. 1049.

*Decided April 11, 1914.*

---

Applicant granted a certificate of public convenience and necessity to maintain a water distributing system in the city of Sawtelle under a franchise granted by said city.

*Herbert J. Goudge*, for Applicant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application by Sawtelle Water Company for authority to exercise franchise rights granted by the city of Sawtelle. These rights are conferred in Ordinance No. 138, passed by the board of trustees of the city of Sawtelle on December 15, 1913. This ordinance gives the Sawtelle Water Company a twenty-five-year franchise to maintain a system of water pipes in the city of Sawtelle. The territory includes only a portion of the city of Sawtelle and embraces that section in which Sawtelle Water Company has heretofore been operating.

The franchise confers upon the company rights which it already possessed. The franchise is, therefore, not necessary to its operation. (See recent decision of United States Supreme Court in *Economic Gas Company* case in confirmation of this.)

Application is made, however, in connection with certain financial and other plans which the applicant has in view, and, while I do not believe the order of this Commission is necessary, it may be given in lieu of the dismissal of this application.

I submit herewith the following order:

**ORDER.**

Sawtelle Water Company having made application to this Commission for authority to exercise rights and privileges granted by Ordinance No. 138 of the city of Sawtelle, adopted on December 15, 1913, and a hearing having been held, it is found as a fact that public convenience and necessity require that Sawtelle Water Company exercise said franchise rights.

*It is hereby ordered* that Sawtelle Water Company be given authority, and it is hereby given authority, to exercise the rights and privileges conferred by Ordinance No. 138 of the city of Sawtelle, above referred to.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of April, 1914.

DECISION No. 1428.

IN THE MATTER OF THE APPLICATION OF NORTHWESTERN PACIFIC RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF FIVE MILLION, FIVE HUNDRED THIRTY-FOUR THOUSAND DOLLARS.

Application No. 1044.

*Decided April 11, 1914.*

*Held.* Applicant authorized to issue bonds of the face value of \$5,534,000.00 bearing interest at 4½ per cent to be sold at not less than 95, proceeds to be used (1) for additional cost of its line, Willits to Shively, \$1,803,912.95; (2) payment of interest on certain construction bonds, \$696,500.00; (3) for the reimbursement of moneys expended from income for new construction, \$497,078.72; (4) new equipment, \$1,236,700.00; (5) for reimbursement of moneys expended from income for additions and betterments, \$709,935.28; (6) retirement of bonds of the Eel River and Eureka Railroad Company, not to exceed \$313,000.00.

*Lilienthal, McKinstry & Raymond, Jesse W. Lilienthal and Albert Raymond, for Applicant.*

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for an order authorizing the issue by applicant of its 4½ per cent, first and refunding mortgage gold bonds, of the face value of \$5,534,000.00.

Applicant was incorporated on January 8, 1907, under the laws of this State by articles of incorporation and consolidation of Northwestern Pacific Railway Company, the Eureka and Klamath River Railroad Company, North Shore Railroad Company, The San Francisco and North Pacific Railway Company, California Northwestern Railway Company, Fort Bragg and Southeastern Railway Company, and San Francisco and Northwestern Railway Company. The railroad companies which were so consolidated owned lines of railroad partly constructed and partly projected from Sausalito north and from Eureka south. The railroads running from Sausalito north had been acquired by the Southern Pacific Company and those running from Eureka south had been acquired by the Atchison, Topeka and Santa Fe Railway Company. As Captain A. H. Payson testified in Case No. 333, the Southern Pacific and the Atchison, Topeka and Santa Fe Railway Company, after the one had acquired the railroads at the southern end of the territory between Sausalito and Eureka and the other the railroads at the northern end, were very busy for awhile projecting rival railroads to be constructed between Sausalito and Eureka. They finally realized that this territory would probably not support two parallel lines of railroad, and for that reason they agreed to unite their properties, each to own a one-half interest interest in the new Northwestern Pacific Railroad Company.

This company was accordingly incorporated with an authorized capital stock of \$35,000,000.00, consisting of 350,000 shares, all common stock, at a par value of \$100.00 per share; 174,995 shares of this stock are owned by the Southern Pacific Company and the same number by the Atchison, Topeka and Santa Fe Railway Company. The remaining 10 shares are held by ten directors, five representing the Southern Pacific Company and five representing the Atchison, Topeka and Santa Fe Railway Company, each director holding one share. For the stock of the railroad companies which were thereafter consolidated, the Southern Pacific Company and the Atchison, Topeka and Santa Fe Railway Company paid something over six million dollars several years prior to the consolidation. At the time of the consolidation, each of the purchasers carried to its books the amount which it had paid for the stock of the companies which it had bought, together with interest from the time of the purchase. The amounts so carried to the books of these purchasers have remained constant ever since and are \$3,990,-

242.39 for the Southern Pacific Company and \$3,660,260.31 for the Atchison, Topeka and Santa Fe Railway Company. It thus appears that as against a par value of \$35,000,000.00, the capital stock is at the present time carried on the books of the owners thereof at the sum of \$7,650,502.70.

Applicant's outstanding funded debt is as follows:

Northwestern Pacific Railroad Company's first mortgage and refunding 4½ per cent bonds-----	\$17,649,000 00
San Francisco and North Pacific Company's 5 per cent first mortgage bonds -----	3,693,000 00
California Northwestern Railway Company's first mortgage 5 per cent bonds-----	950,000 00
Eel River and Eureka Railroad Company's first mortgage 5 per cent bonds-----	313,000 00
Total -----	<u>\$22,605,000 00</u>

The outstanding bonds of the Northwestern Pacific Railroad Company were all sold to the Southern Pacific Company at 95 per cent of their face value, plus accrued interest. Applicant was unable to furnish definite information with reference to the amount for which the bonds of the San Francisco and North Pacific Railway Company, the California Northwestern Railway Company, and the Eel River and Eureka Railroad Company, were sold. These bonds are all underlying bonds and were all issued before the present owners of applicant's property bought the same. Witnesses for applicant, however, were of the general impression that the San Francisco and North Pacific Railway Company's bonds were sold at par less a commission, and that the bonds of the California Northwestern Railway Company were sold at 98 per cent of their face value. No information could be secured with reference to the sale price of the bonds of the Eel River and Eureka Railroad Company.

The proceeds of the bonds of the Northwestern Pacific Railroad Company have been used to reimburse the Southern Pacific Company, in the amount of five million dollars, for floating debts and other obligations of the consolidated companies, other than their funded debts, to purchase new equipment, for additions and betterments and for new construction; and to retire the bonds of the North Pacific Coast Railroad Company of the face value of \$1,498,000.00. In the construction of its extension between Willits on the south and Shively on the north, applicant has expended since its incorporation the total sum of \$10,437,097.18, of which amount all except \$187,429.91 has been secured from the proceeds of the sale of applicant's bonds.

The proceeds from the bonds of the San Francisco and North Pacific Railway Company were used to build the line between Cloverdale and Ukiah. The proceeds from the bonds of the California and North-



western Railway Company were used to build the line between Ukiah through Willits to Sherwood. The proceeds from the bonds of the Eel River and Eureka Railroad Company were presumably used to construct that company's line of railroad from a point on the Van Duzen River, in Humboldt County, to the city of Eureka.

On December 31, 1913, applicant showed current or working assets and current or working liabilities as follows:

Current assets .....	\$1,968,467 69
Current liabilities .....	1,051,002 93
Excess of current assets over current liabilities.....	\$917,464 76

Applicant now asks authority to issue its 4½ per cent first and refunding mortgage gold bonds of the face value of \$5,534,000.00, consisting of 5,534 bonds, of the face value of \$1,000.00 each, which bonds are to be sold to the Southern Pacific Company at 95 per cent of their face value and accrued interest. This sale is to be made in accordance with the terms of an agreement entered into on March 1, 1907, between the Southern Pacific Company, the Northwestern Pacific Railroad Company, and the Atchison, Topeka and Santa Fe Railway Company, which agreement provides in part that the Southern Pacific Company will purchase, at 95 per cent of their face value, together with accrued interest thereon, all of the bonds to be issued by the Northwestern Pacific Railroad Company, under the provisions of that company's deed of trust or mortgage to the Farmers' Loan and Trust Company, dated March 1, 1907, except the bonds referred to in section 3 of article II of the trust deed or mortgage. The bonds so excepted total \$6,676,000.00, and are to be used for the purpose of retiring the following underlying bonds:

San Francisco and North Pacific Railway Company, maturing January 1, 1919.....	\$3,880,000 00
North Pacific Coast Railroad Company, maturing January 1, 1912.....	1,498,000 00
California Northwestern Railway Company, maturing April 1, 1928.....	985,000 00
Eel River and Eureka Railroad Company, maturing October 1, 1914.....	313,000 00
Total .....	\$6,676,000 00

The bonds of the North Pacific Coast Railroad Company have been fully redeemed. While the agreement of the Southern Pacific Company does not cover the bonds of the Eel River and Eureka Railroad Company, the Southern Pacific Company is willing to include them in its agreement to purchase, with the understanding that the matter will be taken care of by some subsequent agreement between itself and the Santa Fe.

The proceeds from the sale of said bonds are to be used for the following purposes:

(1) For the additional cost of completing the railroad from Willits to Shively-----	\$1,803,912 95
(2) For the payment of interest on construction bonds already issued by applicant to March 1, 1914, and those to be issued to July 1, 1915-----	696,500 00
(3) For the reimbursement of moneys actually expended from income for the payment of new construction subsequent to March 31, 1909-----	497,078 72
(4) For the purchase of new equipment-----	1,236,700 00
(5) For the reimbursement of moneys actually expended from income for additions and betterments subsequent to November 30, 1911-----	709,935 28
(6) For the discharge and retirement of the outstanding bonds of the Eel River and Eureka Railroad Company-----	313,000 00
Total -----	\$5,257,126 95

I shall now consider these purposes somewhat more in detail.

#### 1. Completion of Line from Willits to Shively.

As hereinbefore stated, applicant has already expended in the construction of the line from Willits to Shively the sum of \$10,437,097.18.

Construction work started in the fall of 1907, at which time some three miles were constructed northerly from Willits. For the next two years or so the work was suspended. Subsequent to that time the work has been carried on without interruption. The total length of this portion of applicant's line of railroad when completed will be 106  $\frac{1}{10}$  miles. Of this total, 73  $\frac{3}{10}$  miles are now practically completed, and of the remaining 32  $\frac{8}{10}$  miles, approximately 50 per cent of the work has been completed. Applicant estimates that it will be able to complete this extension by July 1, 1915, and that the cost of completing the work will be \$1,103,912.95. The details of this cost appear in Exhibit "C" attached to the petition herein and in a report of this Commission's acting chief engineer, on file herein.

#### 2. Payment of Interest on Construction Bonds.

Applicant's Exhibit "D" attached to the petition herein, shows the bonds which applicant expects to be obliged to issue between April, 1914, and July 1, 1915, in payment of interest on outstanding bonds chargeable to the construction work between Willits and Shively. The items are as follows:

For interest from April 1, 1914, to December 31, 1914-----	\$399,165 00
For interest from January 1, 1915, to July 1, 1915-----	279,335 00
For interest on bonds issued to pay interest-----	18,000 00
Total -----	\$696,500 00

On the completion of the line of railroad the interest charge will cease to be properly chargeable to capital account and will be chargeable to operating expenses.

### 3. Reimbursement of Moneys Expended from Income for Payment of New Construction.

Applicant asks authority to issue bonds to reimburse itself in the sum of \$497,078.72 for moneys expended from income for the payment of new construction subsequent to March 31, 1909. In estimating the income applicant charged off 3 per cent for depreciation on its equipment, but has made no charge for depreciation on its other property. If the authority now asked is granted, applicant will use this money, and also the money to be derived from the bonds issued to reimburse it for the moneys expended from income for additions and betterments, for a fund to be drawn upon if necessary, to meet any possible deficit in its operating expenses when the Eureka line has been opened for traffic.

### 4. Purchase of New Equipment.

Applicant's Exhibit "F" shows the new equipment which applicant desires to secure, partly in connection with its present operation and partly in connection with its proposed operation when the Willits-Shively extension has been completed. This equipment is as follows:

LOCOMOTIVES.	
4 road locomotives, type E-63-19/26-100-----	\$64,000 00
4 road locomotives, type T-63-20/28-130-----	76,000 00
4 road locomotives, type T-57-21/28-144-----	80,000 00
3 switching locomotives, type S-50-19/24-124-----	45,000 00
Total -----	\$265,000 00
PASSENGER TRAIN CARS.	
6 vestibuled mail and express cars, 60-foot steel-----	\$48,000 00
6 vestibuled baggage cars, 60-foot steel-----	42,000 00
6 vestibuled coaches—smokers, 60-foot steel-----	63,000 00
20 vestibuled coaches, 60-foot steel-----	220,000 00
6 vestibuled chair cars, smoking compartment, 60-foot steel-----	66,000 00
Total -----	\$439,000 00
FREIGHT TRAIN CARS.	
100 box cars, steel underframe, 100,000 pounds capacity-----	\$130,000 00
60 stock cars, steel underframe, 80,000 pounds capacity-----	63,000 00
100 flat cars, wood, logging, 80,000 pounds capacity-----	85,000 00
150 flat cars, steel underframe, 100,000 pounds capacity-----	142,500 00
6 cabooses, steel underframe-----	9,600 00
Total -----	\$430,700 00
ELECTRIC MOTOR CARS AND TRAILERS.	
6 conversion of six electric trailers into motor coaches, double end control—equipped with two type "G.E. 66" 125 horsepower motors. Type "M" multiple unit control, double end, seating 62 passengers-----	\$36,666 00
5 electric trailer coaches, length in train 57 feet 3 inches, inside dimensions, 9 feet by 49 feet 11 inches, seating 66 passengers--	35,334 00
Total -----	\$72,000 00
GASOLINE MOTOR CARS AND TRAILERS.	
2 fifty-passenger motor cars-----	\$30,000 00
Grand total -----	\$1,236,700 00

Applicant has already ordered six locomotives and seventeen coaches for delivery this summer, and if the authority now asked is granted, will place orders for the delivery of the remaining equipment this winter or next spring. Applicant's president testified that the company had been short of equipment at both ends, and that there is pressing need for all of the equipment which applicant now desires to purchase.

**5. Reimbursement of Moneys from Income for Additions and Betterments.**

Applicant desires authority to issue bonds to reimburse its treasury in the amount of \$709,935.28, expended from income for additions and betterments subsequent to November 30, 1911. The details of the expenditures appear in Exhibit "G" attached to the petition herein.

**6. Retirement of Bonds of Eel River and Eureka Railroad Company.**

As hereinbefore stated, these bonds mature on October 1, 1914. Applicant desires authority to issue sufficient of its first and refunding mortgage gold bonds to retire this issue.

If the authority now asked is granted, applicant's total indebtedness will be as follows:

Present outstanding bonds.....	\$22,605,000 00
Proposed bond issue.....	5,534,000 00
<b>Total .....</b>	<b>\$28,139,000 00</b>
Less Eel River and Eureka Railroad Company bonds to be refunded .....	313,000 00
<b>Total bond issue .....</b>	<b>\$27,826,000 00</b>
Add current liabilities .....	1,051,002 93
<b>Total .....</b>	<b>\$28,877,002 93</b>
Subtract current assets.....	1,968,467 69
<b>Net indebtedness .....</b>	<b>\$26,908,535 24</b>

Consideration must now be given to the relationship between the value of applicant's property and the amount of the present and the proposed funded indebtedness, so as to ascertain whether the additional amount of bonds now asked for may reasonably be authorized. This question can not be answered with entire satisfaction until this Commission knows the value of applicant's entire property. The Commission has been trying for several years to secure this valuation from the applicant. The company itself offered to have this valuation complete by April 1, 1913, but the Commission at that time stated that it would not be possible to grant this length of time, and that the valuation would be expected to be in the Commission's hands by October, 1912. It thus appears that under the company's own estimate, this valuation is now more than one year overdue. Applicant was taken to task at the hearing for its failure to comply with its promises in this regard and for the protracted delays in filing its valuation report. Applicant's

president thereupon promised that the valuation would be complete and in the Commission's hands within ninety days. The Commission expects applicant to comply with this promise.

Applicant's president presented at the hearing a rough summary of the value of applicant's property, based on such material as has been gathered in connection with the valuation of its property, totalling some \$36,849,860.18. This total represents to a considerable degree merely rough estimates, and it has been impossible to check over the same. A rough approximation of the value of applicant's property may be secured in another way, as follows:

Cost of stock to owners.....	\$7,650,502 70
Funded debt outstanding.....	22,605,000 00
Advanced from income for construction work, additions and betterments .....	1,207,008 00
Total investment March 1, 1914.....	\$31,462,510 70

The foregoing total assumes that the stock of the constituent railroads was worth what the Southern Pacific Company and the Santa Fe paid for it, at a time of keen rivalry of these railroads for the acquisition of certain of applicant's present underlying properties, and also assumes that the bonds were sold for somewhat less than par. It should be borne in mind, however, that to the present value of this property, whatever it may be, there must be added the proceeds to be secured from the bonds which applicant now desires to issue.

Referring now to applicant's ability to meet interest and sinking fund payments on the bonds which applicant now desires to issue, in addition to those already outstanding, it appears that for the year ending June 30, 1913, applicant had available for the payment of fixed charges the sum of \$1,070,421.75, and that if the bonds now applied for are issued, the interest charges of applicant would be as follows:

Five per cent interest on \$3,693,000.00 of San Francisco and North Pacific Railway Company's bonds.....	\$184,650 00
Five per cent interest on \$950,000.00 of California and Northwestern Railway Company's bonds.....	47,500 00
Four and one half per cent interest on \$23,183,000.00 of Northwestern Pacific Railroad Company's bonds.....	1,043,235 00
Total .....	\$1,275,385 00

While the sum available for the payment of interest charges for the year ending June 30, 1913, would not be sufficient to pay the interest obligations after the Eureka extension has been completed, applicant's president testified that he expected that the increased earnings would be sufficient to take care of applicant's fixed charges, and that, in any event, the company would have a surplus in its treasury sufficient to

tide it over the first few lean years in connection with the Eureka extension.

While recommending, after a careful consideration of all the facts in this proceeding, that the present application be granted, I also recommend that no further securities be authorized to be issued by this company until it has completed and filed with the Commission a valuation of its property.

I submit herewith the following form of order :

**ORDER.**

Northwestern Pacific Railroad Company having applied to the Railroad Commission of the State of California for an order authorizing the issue by said company of its first and refunding mortgage gold bonds of the face value of \$5,534,000.00, said bonds to be payable on March 1, 1957, and to bear interest at the rate of  $4\frac{1}{2}$  per cent per annum, payable semiannually, under and in pursuance of the terms of a deed of trust or mortgage from Northwestern Pacific Railroad Company to The Farmers' Loan and Trust Company, trustee, dated March 1, 1907, and a public hearing having been held upon said application, and the Commission finding that the money to be procured by the issue of said bonds is necessary to and reasonably required by said company for the acquisition of property, the construction, completion, extension and improvement of its facilities, the improvement and maintenance of its service and the reimbursement of moneys actually expended from income within the five years next prior to the filing of the petition herein, for proper capital purposes, and that said purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered as follows:*

Northwestern Pacific Railroad Company is hereby authorized to issue five million, five hundred and thirty-four thousand dollars (\$5,534,000.00), face value of principal of bonds of said company, or so much thereof as may be necessary for the purposes hereinafter stated, maturing March 1, 1957, bearing interest at the rate of four and one half ( $4\frac{1}{2}$ ) per cent per annum, payable semiannually, on the first day of March and the first day of September in each and every year until the payment of the principal sum, under and in pursuance of the terms of deed of trust or mortgage to The Farmers' Loan and Trust Company, trustee, dated March 1, 1907, upon the following conditions, and not otherwise, to wit:

1. Northwestern Pacific Railroad Company shall sell said bonds hereby authorized so as to net said company not less than ninety-five (95) per cent of the face value thereof, together with accrued interest.

2. Northwestern Pacific Railroad Company shall apply the proceeds from said bonds to the following purposes, and not otherwise, to wit:

(a) For the additional cost of completing applicant's line of railway from Willits to Shively, for the items specified in Exhibit "C," attached to the petition herein, not to exceed the sum of \$1,803,912.95.

(b) For the payment of interest on construction bonds heretofore issued by applicant and on those to be issued by it up to July 1, 1915, as appears from Exhibit "D," attached to the petition herein, not to exceed the sum of \$696,500.00.

(c) For the reimbursement of moneys actually expended from income for the payment of new construction subsequent to March 31, 1909, as appears from Exhibit "E," attached to the petition herein, not to exceed the sum of \$497,078.72.

(d) For the purpose of new equipment, for the general items specified in Exhibit "F," attached to the petition herein, not to exceed the sum of \$1,236,700.00.

(e) For the reimbursement of moneys actually expended from income for additions and betterments subsequent to November 30, 1911, as appears from Exhibit "G," attached to the petition herein, not to exceed the sum of \$709,935.28.

(f) For the discharge and retirement of the outstanding bonds of the Eel River and Eureka Railroad Company, not to exceed the sum of \$313,000.00.

3. Northwestern Pacific Railroad Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission, stating the sale or sales of said bonds during the preceding month, the terms and conditions of sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. This order shall not become effective until applicant has paid the fee prescribed by section 57 of the Public Utilities Act, as amended.

5. The authority hereby given to issue bonds shall apply only to bonds issued on or before the first day of July, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of April, 1914.

## DECISION No. 1429.

MRS. LILLIE LAY

vs.

CONSOLIDATED SECURITIES COMPANY.

Case No. 548.

*Decided April 13, 1911.*

Complainant petitions the Commission to compel defendant to construct, at its own expense, a connection from its nearest main to the property line of complainant, a distance of 275 feet.

*Held*, Defendant directed to make such installation at its own expense and deliver water to complainant at the regular rates for such service, and also to install a connection for two certain neighbors of complainant, if they so desire.

*Mrs. Lillie Lay, in propria persona*, for Complainant.

*F. A. Powell*, for Defendant.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is a complaint for an order compelling defendant, a water utility, to extend its water main and install a service connection to serve complainant's property in San Fernando, Los Angeles County, California.

Mrs. Lay owns the westerly half of lot No. 10 of the Perry Tract, Map Book 6, page 111, Records of Los Angeles County. She needs water for ordinary domestic purposes, including the maintenance of a small garden. She has applied to the defendant for water, but prior to the hearing, defendant refused to supply water unless complainant paid for an extension of defendant's main to her property.

Defendant owns and operates a public utility water system in that portion of the city of San Fernando which lies northerly and westerly from the tracks of the Southern Pacific Company. It has installed a 6-inch main on Fourth street and a 2-inch pipe northerly therefrom in the tract in which complainant lives, a distance of some 275 feet. To continue this pipe to complainant's premises would cost the defendant some \$25.00 or \$26.00.

The evidence shows that in addition to complainant two of her neighbors would probably also take water from this extension, thus yielding a total minimum revenue of \$3.75 per month or \$45.00 per year.

Some confusion arose in this matter from Ordinance No. 70 of the city of San Fernando, adopted June 23, 1913, establishing water rates



for the year beginning July 1, 1913. Section 9 of this ordinance undertook to provide in part as follows:

“Every person, association, company or corporation, supplying water to the inhabitants of the city of San Fernando, for other than irrigation purposes, shall upon written demand therefor, within five days, at its own expense, make a service connection on the street wherein the water main of said person, association, company or corporation is laid, by inserting a tap on said main and laying the service pipe therefrom to the property line of such lot.”

This language apparently relieves the water utility from any duty in case there is not already a water main lying in the street in front of the property for which the service is asked. As the Commission explained at the hearing, this section of the ordinance is undoubtedly void for the reason that cities of the sixth class, while having authority to establish water rates, have been given no power over the service or extensions of water utilities. This power vests exclusively in the Commission. As this Commission held in the *City of Glendale vs. Title Guarantee and Trust Company, Trustee*, decided on June 11, 1913 (Volume II, Opinions and Orders of Railroad Commission of California), and other cases, it is in general the duty of a water utility to install the service pipe to the property line and the meter at its own expense. The water utility in the present case claims title to all the service pipes and secures assignments thereto from all its customers. Consequently, the water utility's duty in the present case extends to installing also the service pipe from the property line to the consumer's house.

Referring to the extension of the main, this Commission has heretofore held in *Dooley vs. Peoples Water Company*, decided on December 3, 1913, that in the absence of unusual circumstances, it is the duty of a water utility operating in a city, or a portion thereof, under a franchise to extend its mains at its own expense to serve all persons desiring water within such territory. Hence, no facts having been shown to take the present case out from the operation of the principles hereinbefore stated, it is clearly the defendant's duty to extend its main and to serve water to Mrs. Lay at the usual rates, as requested by her.

The defendant, after these principles had been explained, offered to extend its main and to serve complainant and her two neighbors, Perry and Turner, at the defendant's own cost and to do this work at once, without waiting for the order in this case.

The case was thereupon submitted.

I present herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding and the case having been submitted,

*It is hereby ordered* that defendant be and it is hereby directed forthwith to extend its water main and to install a service connection, at its own expense, and to deliver water henceforth at its regular rates, for use on complainant's premises in the city of San Fernando, California, and to perform a like service for complainant's neighbors, Mr. E. M. Turner and Mr. Perry, in case they ask for the service.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 13th day of April, 1914.

Decisions Nos. 1430, 1431, 1432, 1433, and 1434, grade crossings; not printed. See end of volume.

**DECISION No. 1435.**

**IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR AUTHORITY TO ISSUE COLLATERAL TRUST NOTES AND TO PLEDGE BONDS AS SECURITY THEREFOR.**

Application No. 1038.

*Decided April 15, 1914.*

**REPORT OF THE COMMISSION.**

**FIRST SUPPLEMENTAL ORDER.**

EDGERTON, *Commissioner.*

Whereas this Commission issued an order in the above entitled matter on March 25, 1914, authorizing Pacific Gas and Electric Company to issue \$7,000,000.00 of collateral trust notes and to pledge certain bonds as security therefor; and

Whereas it was provided that \$5,000,000.00 of said notes should be sold at not less than \$965.61 for each \$1,000.00 note; and

Whereas it was provided further that the remaining \$2,000,000.00 of said notes should be sold at a price not less than a figure to be set hereafter by this Commission; and

Whereas Pacific Gas and Electric Company has now filed a supplemental application with this Commission asking for authority to sell

\$2,000,000.00 of said collateral trust notes at a price not less than \$975.00 and accrued interest for each \$1,000.00 note;

*It is hereby ordered* that Pacific Gas and Electric Company be given authority to sell \$2,000,000.00 of said collateral trust notes at a price not less than \$975.00 and accrued interest for each \$1,000.00 gold note.

The authority herein given is subject to all of the conditions set forth by this Commission in its order in the above entitled matter of March 25, 1914.

The foregoing first supplemental order is hereby approved and ordered filed as the first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

---

DECISION No. 1436.

IN THE MATTER OF THE APPLICATION OF THE BAY CITIES HOME TELEPHONE COMPANY, THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY AND THE CITY OF OAKLAND, FOR AN ORDER AUTHORIZING THE TRANSFER AND ASSIGNMENT OF A CERTAIN FRANCHISE AND FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF THE RIGHTS GRANTED BY SAID FRANCHISE.

---

Application No. 1071.

*Decided April 15, 1914.*

---

Bay Cities Home Telephone Company authorized to transfer and assign to the Pacific Telephone and Telegraph Company all rights and privileges under a certain franchise granted to the former company by the city of Oakland, provided that the city of Oakland shall pass an ordinance approving such franchise. Pacific Telephone and Telegraph Company granted a certificate of public convenience and necessity to exercise rights under the franchise herein authorized to be transferred.

*William Thomas*, for Bay Cities Home Telephone Company.

*Horace D. Pillsbury*, for The Pacific Telephone and Telegraph Company.

*Frank K. Mott*, mayor of Oakland, and *Charles A. Beardsley*, assistant city attorney of Oakland, for the City of Oakland.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

In this application, the Bay Cities Home Telephone Company, a corporation, and The Pacific Telephone and Telegraph Company, a corporation, ask this Commission to approve of the transfer and assignment

of a franchise heretofore granted to the Home Telephone Company, by ordinance duly passed on February 2, 1906, and by that company assigned to the Bay Cities Home Telephone Company, to The Pacific Telephone and Telegraph Company, and to give The Pacific Telephone and Telegraph Company a certificate that public convenience and necessity require and will require the exercise of the rights granted by said franchise.

The city of Oakland, a municipal corporation, joined in the application and was represented at the hearing by its mayor, Hon. Frank K. Mott, and its assistant city attorney, Mr. Charles A. Beardsley.

The franchise which it is herein sought to transfer from the Bay Cities Home Telephone Company to The Pacific Telephone and Telegraph Company is a franchise to maintain and operate a telephone system in the city of Oakland granted by Ordinance No. 2430 by the city of Oakland, a copy of which franchise and ordinance were attached to the petition marked Exhibit "A," and to which reference is made for the conditions of the franchise as set forth in the ordinance.

From the testimony it appears that heretofore, to wit, on the 15th day of March, 1912, previous to the effective date of the Public Utilities Act, the Bay Cities Home Telephone Company transferred all of its physical and tangible properties to the Home Long Distance Telephone Company and that upon the same date the Home Long Distance Telephone Company transferred all of said physical properties to The Pacific Telephone and Telegraph Company, and that thereafter the Bay Cities Home Telephone Company no longer exercised the rights granted to it by the city of Oakland under the franchise, as above set forth, and that said Bay Cities Home Telephone Company now desires to transfer and assign said franchise to The Pacific Telephone and Telegraph Company.

This franchise was granted, as above stated, on the 2d day of February, 1906, for the term of fifty years, and has, therefore, forty-two years yet to run.

The Pacific Telephone and Telegraph Company is also operating in the city of Oakland under a franchise granted by said city on May 16, 1892, by Ordinance No. 1423, which ordinance will expire by limitation in 1942, having, therefore, but twenty-eight years yet to run.

It is the desire of The Pacific Telephone and Telegraph Company to surrender to the city of Oakland this franchise and hereafter to maintain and operate its system in said city of Oakland under the franchise now held by the Bay Cities Home Telephone Company, the transfer of which to The Pacific Telephone and Telegraph Company the Commission is herein asked to approve.

It was shown at the hearing that the franchise of the Pacific Telephone and Telegraph Company, granted to the city of Oakland, contains no provision for payment of any percentage of its gross receipts to the city of Oakland. Neither does it require the Pacific Telephone and Telegraph Company to furnish the city with telephones or free telephone service.

It was further shown that there is litigation pending in the Superior Court of Alameda County, California, between the city of Oakland and the Bay Cities Home Telephone Company. In this litigation the city of Oakland attempts to recover the amount of the bond given by the Pacific Telephone Company on the bond given by the Bay Cities Home Telephone Company in compliance with the conditions of the ordinance. The Bay Cities Home Telephone Company claims that the city of Oakland up to the time that it sold its property to the Pacific Telephone and Telegraph Company;

That both the Bay Cities Home Telephone Company and the city of Oakland desire now to settle said litigation so that the bond may be discharged from liability and the city of Oakland may receive the performance of the bond and by The Pacific Telephone and Telegraph Company.

That the terms of said proposed compromise ordinance proposed to be passed by the council of the city of Oakland are set forth in an exhibit marked Exhibit A attached to the petition.

In Ordinance No. 2430 (Exhibit "A" in the petition) the city of Oakland granted a franchise to the Pacific Telephone and Telegraph Company, appears the following condition:

"*Eleventh*—That the said grantee, his heirs, assigns, successors, agents, attorneys, or assigns shall not, without the consent of the city of Oakland, convey, sell, lease, or otherwise dispose of any property or any of the rights or privileges granted by said franchise to any person, company, or corporation now engaged in the telephone business in Oakland, and shall not at any time or in any way, directly or indirectly, with any person, company, or corporation now engaged in the telephone business in the city of Oakland concerning the rate of telephone service." \* \* \*

While thus prohibiting the grantee from conveying, selling, leasing, or otherwise disposing of any property, rights or privileges without the consent of the city of Oakland, the ordinance contains no proviso as to what shall be done in case the grantee should disregard the prohibition. It is granting even that the governing body of the city of Oakland

right to forfeit the franchise which it had granted to the Home Telephone Company because said company had transferred its physical properties to The Pacific Telephone and Telegraph Company, the fact remains that the city council of Oakland did not forfeit said franchise and said city, by its mayor and assistant city attorney, now appears before the Commission approving of and joining in this application that the Bay Cities Home Telephone Company may now transfer said franchise to The Pacific Telephone and Telegraph Company and that The Pacific Telephone and Telegraph Company be permitted to exercise the rights granted by said franchise.

It is apparent that the city of Oakland will profit very materially by the granting of this application: *first*, it will be furnished, by The Pacific Telephone and Telegraph Company, with 220 telephones and the service incidental to such telephones free of charge, whereas it now has no free service; *second*, it will receive two per cent of the gross receipts of The Pacific Telephone and Telegraph Company in the city of Oakland, as provided by the Broughton Act, the estimate of such returns to the city of Oakland, during the period for which the franchise which it is now sought to have transferred has to run, being about one and one quarter million dollars.

A protest against the granting of this application was filed by Mr. E. C. McDonough, formerly an employee of the Bay Cities Home Telephone Company, or its predecessor, in which protest certain statements are made as to certain acts of the Bay Cities Home Telephone Company with which Mr. McDonough thinks the Commission and the people of Oakland should be made aware of before this application is passed upon.

The most important of Mr. McDonough's statements is that, as a director in the Bay Cities Home Telephone Company, he signed the transfer of the Bay Cities Home Telephone Company's properties to the Home Long Distance Telephone Company and from the latter company to The Pacific Telephone and Telegraph Company, thinking it was a contract for construction work; and that the ordinance passed by the city council of Oakland granting the franchise to the Home Telephone Company provided that such franchise was forfeited if the grantee sold or transferred its property.

As to the first statement: Mr. William Thomas, attorney for the Bay Cities Home Telephone Company, stated positively, and offered to prove by two witnesses, that every paper signed by the directors on the day that the transfer was made from the Bay Cities Home Telephone Company to the Home Long Distance Telephone Company and from that company to The Pacific Telephone and Telegraph Company was read

aloud at the meeting of the directors and discussed by said directors before being signed. In any event, this was something which took place prior to the effective date of the Public Utilities Act, and is, therefore, not before the Commission in this application.

As to the second statement, that the ordinance passed by the city of Oakland granting the franchise to the Home Telephone Company contained a forfeiture clause, attention has already been drawn to the fact that, while said ordinance contained a prohibition as to the transfer of its property by the grantee, it did not provide for a forfeiture.

The principles by which I believe the Commission should be guided in deciding this application are set forth in Application No. 54 (*in the matter of the application of The Pacific Telephone and Telegraph Company for authorization to purchase the capital stock of the Home Telephone and Telegraph Company of Pasadena*), although in the case at bar there seems even to be more reason for granting the application.

The transfer of the franchise in question from the Bay Cities Home Telephone Company to The Pacific Telephone and Telegraph Company is made as a gift, without consideration or cost to The Pacific Telephone and Telegraph Company. It is clear that the city of Oakland will be greatly benefited in a financial way, and that the people will probably receive a better and more satisfactory service.

An ordinance which the council of the city of Oakland proposes to pass, approving of the transfer of this franchise, was attached to the application and, as was decided in Application No. 54, *supra*, I shall recommend that the order under this application shall become effective only upon the passage of said ordinance or similar ordinance of approval by the city council of the city of Oakland.

I find as a fact that public convenience and necessity require and will require that the Bay Cities Home Telephone Company be given permission to transfer its franchise heretofore granted to it by the city of Oakland, as above set forth, to The Pacific Telephone and Telegraph Company and that The Pacific Telephone and Telegraph Company be granted a certificate that public convenience and necessity require and will require the exercise of the rights granted by said franchise to the Bay Cities Home Telephone Company and now transferred to The Pacific Telephone and Telegraph Company

I recommend the following order:

**ORDER.**

An application having been presented to this Commission by the Bay Cities Home Telephone Company, a corporation, to assign and transfer a certain franchise, of which it is the owner and holder, heretofore, to wit, on February 2, 1906, granted by the city of Oakland to the Home Telephone Company by Ordinance No. 2430, a copy of which

was filed with this application and to which reference is hereby made; and The Pacific Telephone and Telegraph Company having joined in said application for permission to make said transfer and also for permission to exercise the rights and privileges granted by said franchise; and the city of Oakland having also joined in the application for the transfer of said franchise and for the granting to The Pacific Telephone and Telegraph Company of permission to exercise the rights and privileges comprehended in said franchise; and a hearing having been duly held and the matter of the transfer of said franchise thoroughly considered; and the Commission having found as a fact that public convenience and necessity require, and will require, the granting of permission to the Bay Cities Home Telephone Company to transfer said franchise to The Pacific Telephone and Telegraph Company and to The Pacific Telephone and Telegraph Company of permission to accept such transfer and exercise the rights and privileges granted by said franchise, and that the city of Oakland will be greatly benefited financially by this transfer, as set forth in the opinion preceding this order,

*It is hereby ordered* that the Bay Cities Home Telephone Company be and it is hereby granted permission to transfer said franchise and The Pacific Telephone and Telegraph Company is hereby granted permission to accept such transfer; that The Pacific Telephone and Telegraph Company is hereby granted permission to exercise the rights and privileges granted by said franchise; that this order shall become effective only upon the passage by the city council of Oakland of an ordinance similar to or identical with the copy of a proposed ordinance filed by the city with this application.

While the physical properties of the Bay Cities Home Telephone Company were transferred to The Pacific Telephone and Telegraph Company prior to the effective date of the Public Utilities Act, the decision in this case will be based in part upon an agreement by The Pacific Telephone and Telegraph Company that the amount paid by that company to the Bay Cities Home Telephone Company, at the time the physical assets of the latter were transferred to the former, shall not be considered binding upon the Commission, or other regulatory body, as the fair value of said physical properties for rate-fixing purposes, and The Pacific Telephone and Telegraph Company is hereby required to file a written stipulation to that effect before the order herein shall become effective.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.



## DECISION No. 1437.

WINIFRED F. MARR

vs.

LOS ANGELES AND ARIZONA LAND COMPANY.

Case No. 511.

*Decided April 15, 1914.*

Complainant alleges that defendant is operating a water distributing system in the city of Glendale without a franchise, that its supply of water is inadequate to satisfy its present and proposed new consumers, and that it has not established a clear title to its source of supply.

In view of the fact that the city of Glendale has instituted proceedings to acquire a municipal water system and defendant proposes to give its plant to the city, and it appearing that the present consumers of defendant are adequately supplied; *Held*, complaint dismissed.

*Winifred F. Marr, in propria persona.*

*C. S. Tappaan and S. F. Macfarlane*, for Defendant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

The gist of the complaint urged at the hearing herein by complainant against defendant, is as follows:

That defendant is a public utility water company serving a portion of the inhabitants of the city of Glendale with water; that complainant has in times past received water from the system now owned and operated by defendant company; and that said defendant plans and proposes to sell a large additional amount of land, and to furnish said land with water from its present water system. That defendant has not an adequate supply of water to furnish its present and proposed new consumers adequately with water. That defendant maintains and operates a water plant in the city of Glendale without proper franchise or other authority so to do.

The prayer is that defendant be required to establish its lawful ownership to the pipe which it claims, and be required to conduct its water system in accordance with the provisions of the Public Utilities Act; that the use of the water of the East Side stream for domestic purposes be restricted to those portions of the year during which it is evident that it is entirely suitable for such use; that farther extensions and connections of defendant's water system be prohibited until such time as it shall show to the satisfaction of the Commission how much territory it can supply continuously without danger of interruption, and that its operation be then restricted to such territory as it has all necessary rights and appliances for furnishing continuously with an adequate supply of water of suitable quality.

At the hearing defendant admitted that it had served consumers with water for compensation, and therefore is a public utility, and that it owns and operates all of the water system in question.

Defendant company owns about 400 acres of land in one piece, which it is subdividing, and of which about 250 acres are capable of being irrigated from this system, and on which there are already settled about ten families. It is proposed to continue the sale of land in this tract until it is all disposed of and to furnish the people who settle upon this land with water from this system.

The evidence, including that introduced by complainant, shows that there is sufficient water physically available at the source of supply of defendant to furnish all of the people who may hereafter settle on this land with an adequate supply of water. Complainant contends, however, that defendant company has not shown its legal title to a sufficient quantity of water to adequately furnish the future settlers, notwithstanding that defendant claims to own all of said water.

We are asked to compel defendant to show good title to sufficient water to adequately furnish all of the people who may settle on its land, or else to restrict the further distribution or attempted distribution of water. The evidence shows that defendant has never been interfered with in its use of water nor is there any threatened interference.

Defendant admitted that it had no written franchise from any public authority to occupy public streets or highways with its distributing system, and complainant asks that we compel the defendant to immediately obtain franchise therefor.

The city of Glendale announced its intention to purchase certain of the water systems now operating in the city of Glendale, and to this end has instituted a proceeding before the Railroad Commission for the valuation of these properties. This matter is now pending.

The water system of defendant is not included in this proceeding, and it was announced at the hearing herein by representatives of defendant and the city of Glendale that if the city purchased the plants now being valued, that defendant would give the city its water system, including the source of supply of water, free of cost.

Representatives of the city of Glendale further announced that in all probability the city would refuse to grant any franchise to defendant at this time in view of the city's intention to establish a municipal water system.

I do not believe we are warranted in this case in making an extended inquiry into the title of defendant to its water supply. It is admitted by complainant that the present consumers of defendant are suffering no injury, and I do not believe that the mere suggestion that successful attacks may hereafter be made upon the legal title of

defendant to its water supply would justify us, under the circumstances, in taking action at this time.

Furthermore, as it is the announced intention of the officials of the city of Glendale to place before the people the proposal to purchase certain of the existing water systems in that city, and to acquire by gift the plant of defendant, I believe no action should be taken under this complaint at this time.

Of course, if the city of Glendale does not institute a municipal water system, then if defendant has not proper authority for maintaining and operating its plant in the city of Glendale, it should proceed immediately to obtain such authority.

I recommend that the complaint be dismissed and submit the following form of order:

**ORDER.**

Complaint having been made by Winifred F. Marr against the Los Angeles and Arizona Land Company, and a public hearing having been had thereon, and the Commission being fully apprised in the premises, and it appearing to the Commission that for the reasons stated in the foregoing opinion said complaint should be dismissed,

*It is hereby ordered* by the Railroad Commission of the State of California that the complaint herein be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

DECISION No. 1438.

IN THE MATTER OF THE APPLICATION OF LONG BEACH MILLING COMPANY TO LEASE THE STORAGE PRIVILEGES OF ITS WAREHOUSE TO SEAFOAM WAREHOUSE COMPANY, AND FOR AN ORDER AUTHORIZING THE LATTER TO ISSUE CAPITAL STOCK.

Application No. 1018.

*Decided April 15, 1914.*

Application of the Long Beach Milling Company to lease to the Seafoam Warehouse Company the unused portions of its warehouse, and of the latter company to issue stock of the face value of \$10,000.00 to carry on its warehouse business, granted; provided that this authority shall not act as a restriction on the city of Long Beach in any attempt that city might make to change the location of said warehouse.

*Hahn & Hahn and A. D. Buckley, for Applicants.*

*Louis N. Whcalton*, mayor, and *Gco. F. Kapp*, city attorney, for the City of Long Beach.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Long Beach Milling Company for an order authorizing it to lease the privilege of storing in its warehouse grain, grain products, grain bags, baled hay, and other merchandise offered for storage, to the Seafoam Warehouse Company.

Included in this application there is the request of Seafoam Warehouse Company to issue \$10,000.00 par value of its capital stock.

The Long Beach Milling Company is engaged in the business of milling flour and feed and dealing in grain. As an incident to its other business, it on occasion stores merchandise owned by others, and this latter business brings it within the provisions of the Public Utilities Act.

The purpose of this application is to separate its public utility warehouse business from its other business, and to that end it is proposed by the milling company to lease to the Seafoam Warehouse Company, a corporation organized by it for this purpose, such space in its warehouse as may be available after its own business is taken care of.

Representatives of applicant at the hearing stated that only a nominal number of shares of stock of the Seafoam Warehouse Company need be issued to the Long Beach Milling Company for the execution of this lease and the turning over of the warehouse business; but in addition it was desired that the Seafoam Warehouse Company be authorized to issue its total capital stock of \$10,000.00 at par for the purpose of obtaining money to carry on the business of the warehouse company.

As has heretofore been announced by the Commission, it is desirable that the warehouse business be separated as far as possible from other business, so as to obviate the necessity of bringing within the jurisdiction of the Commission a large amount of transactions over which it would have no control were it not for the inclusion in its affairs of a comparatively small public utility business.

It is not the purpose to sell any of the stock of the Seafoam Warehouse Company to the public, but the Long Beach Milling Company, or its stockholders, will purchase all of the stock which the warehouse company may sell.

The city of Long Beach appeared, through its mayor and other officials, and objected to the issuance of an order in this application if such order would in any wise prevent or interfere with any attempt now being made, or which may hereafter be made by said city, to force the removal of the business of applicant from its present location.

I recommend that the application be granted, under the conditions hereinafter set out, and submit herewith the following form of order:

**ORDER.**

Application having been made to the Railroad Commission of the State of California by Long Beach Milling Company for an order authorizing it to lease to Seafoam Warehouse Company the privilege of storing in its warehouse grain, grain products, grain bags, baled hay and other merchandise offered for storage, and for an order authorizing Seafoam Warehouse Company to issue \$10,000.00 par value of its capital stock, and a hearing having been duly held,

*It is hereby ordered* by the Railroad Commission of the State of California that Long Beach Milling Company is hereby authorized to lease to Seafoam Warehouse Company the privilege of storing in its warehouse such grain, grain products, grain bags, baled hay and other merchandise offered for storage, and for which there may be available space after said Long Beach Milling Company has provided for its own goods.

Seafoam Warehouse Company is hereby authorized to issue \$10,000.00 par value of its capital stock, said stock to be issued under the following conditions, not otherwise: Three shares thereof shall be issued in exchange for the lease to be executed to Seafoam Warehouse Company by Long Beach Milling Company, and the remainder of 97 shares of said stock shall be sold to net Seafoam Warehouse Company not less than par; provided that before the issuance of three shares of stock in exchange for the aforesaid lease, said proposed lease shall be submitted to the Commission for its approval, and before the issuance of any of the 97 shares of capital stock Seafoam Warehouse Company shall submit to the Commission for its approval a statement, setting out specifically the purposes for which the proceeds from the sale of said stock then proposed to be issued and sold are to be used.

This order is made upon the condition that it shall in no wise affect the city of Long Beach, or the citizens thereof, in any attempt that is now being made, or that may hereafter be made, to change the location of the business now being conducted, or which may hereafter be conducted by either of the applicants herein.

Seafoam Warehouse Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission stating the sale or sales of said stock during the preceding month, the terms and condition of such sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The authority hereby given to issue such stock shall apply only to stock issued by Seafoam Warehouse Company on or before the 15th day of April, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

---

DECISION No. 1439.

IN THE MATTER OF THE APPLICATION OF FRANK KUMMETH FOR PERMISSION TO SELL THE SANGER WATER WORKS TO THE CITY OF SANGER, AND OF THE CITY OF SANGER TO PURCHASE SAID SYSTEM.

---

Application No. 1041.

*Decided April 15, 1914.*

---

Frank Kummeth authorized to sell to the city of Sanger for the sum of \$8,513.00 a certain water system owned and operated by him in said city.

*George Cosgrave, for Frank Kummeth.*

*Board of Trustees of Sanger, for the City of Sanger.*

REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

Frank Kummeth has applied to this Commission for permission to sell the Sanger Water Works to the city of Sanger, in the county of Fresno, State of California, and a similar application was filed by the city of Sanger, asking permission to purchase this system at a price to be fixed by this Commission.

These applications are the result of the desire of the city of Sanger to own and operate its own water system.

Since September 1, 1904, Frank Kummeth has been engaged in supplying and selling water to the inhabitants of the city of Sanger and contiguous territory. He is the sole owner of a water system, which consists of distributing pipes, a well, tank, pumping plant and the land necessary therefor.

By a special election held in the city of Sanger on December 9, 1913, the board of trustees of the city of Sanger was regularly authorized to issue bonds for the acquisition of the existing water system in Sanger and the construction and completion of a more extended system.

A complete description and inventory of the property to be transferred is attached to the application of the city of Sanger and marked "Exhibit B." This inventory was compiled by the city engineer of Sanger.

A hearing was held on these applications on April 6, 1914, at Sanger. At this hearing considerable testimony was introduced tending to show the value of the different portions of this water system. The first item in the inventory consists of a tract of land 100 feet square, and upon which the present pumping plant is located. A large number of witnesses expressed their opinion as to the value of this parcel of land, its value being variously estimated at from \$1,200 to \$3,700. Based upon a short field investigation, a tentative valuation of the physical properties of this system was presented at the hearing by the Commission's hydraulic engineer, with the stipulation that such valuation be subject to additional information to be gathered subsequent to the hearing.

The owner of this plant has no record of its cost, nor has he kept any accurate account as to the net revenue derived therefrom, so that it is impossible to determine either the original cost of this plant or the net return per annum. Considerable doubt was cast upon the value of the distributing pipes in this water system. These pipes are of second-hand boiler tubing, and it was contended by the city engineer of Sanger that they were improperly dipped, of poor quality, and that they might not withstand a pressure of 100 pounds, which is the pressure the city expects to establish in the proposed enlarged system. In order to determine the condition of this pipe it was stipulated that the engineer of the Commission, in conjunction with the city engineer of Sanger, make a further examination of this pipe. Based upon the engineers' report resulting from this investigation, I am of the opinion that while the dip on this pipe is thin and poorly applied, the pipe itself is of a reasonably good quality and should, under the moderate pressure now maintained, serve a useful life for many years to come. This pipe is now sustaining a pressure of about 35 pounds with excellent results, but it was not possible to test this pipe with a greater pressure than this, due to the fact that no such pressure is obtainable for this purpose. It is my belief, however, that it is not necessary for the purpose of this valuation to apply a test of 100 pounds in determining the quality of this pipe, although if it had been possible this should have been done.

It is my opinion that the valuation of this plant must be determined, based upon the purpose and manner in which it is now used. While it is evident that the manner of its use will be materially changed if it

becomes a portion of an enlarged municipal system, and, as a consequence, its value decreased, nevertheless, it is manifestly erroneous to conclude that the component parts of this system, which are now adequately performing their present functions, and will continue to so adequately perform them if permitted, have any lesser value at this present time because of some future different and less valuable use.

With the additional information obtained on and after the hearing the Commission's engineer finds the value of the physical property of this plant to be as follows:

Reproduction cost .....	\$10,400 00
Less depreciation .....	1,887 00
Present value .....	\$8,513 00

It appearing that it is to the best interests of the city of Sanger to own and operate its own water system, and in furtherance of this end, that permission should be granted to Frank Kummeth to sell, and the city of Sanger to buy the present water system, I recommend the following order:

#### ORDER.

Frank Kummeth having filed with this Commission a petition to sell the Sanger Water Works to the city of Sanger, a municipal corporation, in the county of Fresno, State of California, and said city of Sanger having filed an application with this Commission for permission to purchase said water works at a price to be fixed and determined by this Commission, and a hearing having been held, and being fully advised in the premises,

*It is hereby ordered* that Frank Kummeth be given permission to sell to the city of Sanger, a municipal corporation, for the sum of eight thousand five hundred and thirteen dollars (\$8,513.00) that certain water system known as the Sanger Water Works and more particularly described as follows:

#### REAL ESTATE.

The easterly 100 feet of lots 13, 14, 15 and 16 in block 132, city of Sanger, Fresno County, California.

#### PUMPING PLANT.

Galvanized iron storage tank on frame tower; frame pump-house with concrete pump pit containing 6-inch cased well and one single stage 3-inch Price pump direct connected to 10-horsepower, type C.C.L. Westinghouse induction motor on cast iron base, with oil switch, pressure gauge wiring, suction and discharge pipes, fittings and other equipment necessary thereto;

One frame shop building, containing tools, meters, stock on hand and miscellaneous equipment, more particularly described in Exhibit B, attached to the application of the city of Sanger;

All of the above located on the above described easterly 100 feet of lots 13, 14, 15 and 16, block 132, city of Sanger.



## DISTRIBUTING SYSTEM.

170 linear feet of 1-inch Standard screw pipe;  
830 linear feet of 1½-inch Standard screw pipe;  
2,160 linear feet of 2-inch Standard screw pipe;  
10,280 linear feet of 4-inch screw casing;  
1,050 linear feet of 6-inch screw casing.

All of the above pipe being laid in the streets and alleys of the city of Sanger.  
All specials, fittings, valves, gates, etc., attached to the above described distributing pipe;  
All meters and service connections.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

## DECISION No. 1440.

IN THE MATTER OF THE APPLICATION OF HUNTINGTON BEACH COMPANY FOR PERMISSION TO SELL AND OF PACIFIC LIGHT AND POWER CORPORATION TO BUY A CERTAIN ELECTRICAL DISTRIBUTING SYSTEM IN THE CITY OF HUNTINGTON BEACH AND THE TERRITORY ADJACENT THERETO.

---

Application No. 1029.

*Decided April 15, 1914.*

---

Huntington Beach Company authorized to sell to the Pacific Light and Power Corporation for the sum of \$16,500.00, a certain electrical distributing system in the city of Huntington Beach, and the latter company granted a certificate of public convenience and necessity to exercise rights under a franchise granted by said city.

*S. M. Haskins*, for Pacific Light and Power Corporation.

*Eyer & Smoot*, for Huntington Beach Company.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Huntington Beach Company for permission to sell, and of Pacific Light and Power Corporation to buy and consolidate with its existing light and power generating and distributing system, the electric light and power distributing system now being operated by said Huntington Beach Company in the city of Huntington Beach.

There is also included an application by Pacific Light and Power Corporation for a certificate that public convenience and necessity

require the exercise of rights and privileges under a franchise granted by the city of Huntington Beach.

Since filing the application herein a price has been agreed upon of \$16,500.00. However, the testimony of the representatives of each company shows a considerable difference of opinion as to the reproduction and present value of this property. It is unnecessary in this proceeding to go carefully into the value of this plant in order to determine whether or not the agreed price fairly represents the present value of this property, but the usual provision should be inserted in the order that the sale price shall not hereafter affect the fixing of rates.

The testimony shows that the Huntington Beach Company has been charging for light from 10 cents to 20 cents per kilowatt hour and for power \$1.25 per horsepower minimum, whereas the Pacific Light and Power Corporation will charge a maximum for light of 8 cents per kilowatt hour and for power from 6 cents to 2 cents per kilowatt hour.

The rates which will be charged by the Pacific Light and Power Corporation are manifestly very much lower than those now being charged by the Huntington Beach Company, and the testimony also shows that the Pacific Light and Power Corporation is in a position to produce very much better service.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

Application having been made by Huntington Beach Company for an order authorizing it to sell to Pacific Light and Power Corporation all that certain electrical distributing system located in the city of Huntington Beach, and for an order authorizing Pacific Light and Power Corporation to purchase and consolidate with its electrical plant and system said property, and for a certificate that public convenience and necessity require the exercise of rights and privileges by Pacific Light and Power Corporation under a franchise granted by the city of Huntington Beach, and a public hearing having been had and it appearing to the Commission that the application should be granted,

*It is hereby ordered* by the Railroad Commission of the State of California that Huntington Beach Company is hereby authorized to sell and convey to Pacific Light and Power Corporation all that certain electrical distributing plant and system located in the city of Huntington Beach, and which is more particularly described in a detailed inventory and appraisal on file herein, marked Exhibit I, reference to which is hereby made. Said property to be transferred free and clear of all incumbrance, and the sale price thereof to be \$16,500.00.

Provided, and this order is made upon the express condition that the price at which the above mentioned property is hereby authorized to be sold shall not be binding upon any rate-fixing body as the value of the plant hereby authorized to be transferred.

Said Pacific Light and Power Corporation is hereby authorized to purchase the above described plant and system at the price aforesaid, and to consolidate and merge said plant and system with its existing generating and distributing system.

This order is made upon the condition that Pacific Light and Power Corporation shall immediately upon taking possession of said property file rates for electric light and power as low as the rates now being charged by said corporation in Newport Beach and generally throughout its system.

Report shall be made to the Railroad Commission immediately upon the taking of possession by the Pacific Light and Power Corporation of the property herein authorized to be sold to it, and thereafter report shall be made to the Railroad Commission upon the final consummation of said sale.

*It is hereby further ordered and declared* that public convenience and necessity require and will require the exercise of rights and privileges by Pacific Light and Power Corporation under a franchise granted by the city of Huntington Beach by an ordinance adopted on the 16th day of March, 1914, and which became effective thirty days thereafter, a copy of which said ordinance is on file herein and marked "Exhibit II."

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

DECISION No. 1441.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES  
AND SAN DIEGO BEACH RAILWAY COMPANY FOR AN  
ORDER AUTHORIZING THE ISSUE OF A PROMISSORY  
NOTE OF THE FACE VALUE OF NINETEEN THOUSAND  
DOLLARS.

Application No. 1067.

*Decided April 15, 1914.*

Applicant authorized to issue two promissory notes, aggregating the sum of \$34,000.00, to take up two notes of a like amount now outstanding.

*Leary & Leary*, for Applicant.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

In these two applications, Los Angeles and San Diego Beach Railway Company asks authority to issue two promissory notes, one in the sum of \$15,000.00 and one in the sum of \$19,000.00, as will hereinafter appear in greater detail.

Applicant owns and operates a line of railway, upon which is operated a freight and passenger service by means of gasoline cars and steam trains, between San Diego and La Jolla, all within the incorporated limits of the city of San Diego.

Applicant's authorized stock consists of 20,000 shares of the par value of \$100.00 each. The amount of stock issued and outstanding is 5,460 shares, fully paid, and 1,650 shares upon which ten per cent has been paid. Applicant has issued no bonds and there is no mortgage against its property.

Applicant's indebtedness as of April 1, 1914, was as follows:

Short term notes.....	\$3,533 04
One-day notes, 6 per cent.....	32,000 00
Four-months note, 6 per cent.....	15,000 00
Four-months note, 6 per cent.....	3,000 00
E. S. Babcock's running account, one-day obligation, interest credited monthly on credit balance at 7 per cent, due January 31, 1914 .....	123,622 47
Total .....	<u>\$177,155 51</u>

By its Decision No. 1382, rendered on December 16, 1913, this Commission found that the reproduction value new of this property, as of June 30, 1912, was \$554,589.77, and that its depreciated reproduction value as of the same date was \$461,015.91.

The note of \$15,000.00, which applicant desires to execute, is to be made payable to American National Bank of San Diego, is to bear interest at 6 per cent per annum and its term is to be four months from the date of this Commission's order authorizing its issue. The proceeds thereof are to be used to take up an existing note of the same amount, payable to the same bank, which note in turn was issued to take up two earlier notes in the sums of \$10,000.00 and \$5,000.00, the funds from which earlier notes were used in 1911 and 1912 for construction purposes.

The note for \$19,000.00, which applicant desires to execute, is to be made payable to the Citizens' National Bank of Los Angeles, California, is to have a term of four months after date of the order authorizing its issue, and is to bear interest at the rate of 7 per cent per annum. The proceeds of this note are to be used to take up note of E. S. Babcock to the same bank, dated January 19, 1914, in the same amount, which note was executed to take up a note of applicant to the same

bank, in the same sum, dated August 30, 1913, which note was in turn issued to take up an earlier note, the proceeds whereof went into construction in 1912 and 1913. Babcock gave his own note temporarily to take up the applicant's note of August 30, 1913, for the reason that the bank was pressing for payment, and applicant did not desire to wait to secure this Commission's approval to the issue of its own note.

The issue of applicant's notes to secure moneys for construction purposes is, of course, only a temporary species of financing. Applicant has now secured from the city council of San Diego an extension of its franchises, and will shortly apply to this Commission for authority to issue bonds to electricize its line of railroad and also to take up its floating indebtedness incurred for capital expenditures. In the mean time, I recommend that these applications be granted.

I submit the following form of order:

**ORDER.**

Los Angeles and San Diego Beach Railway Company having applied to this Commission for an order authorizing the issue of the two promissory notes hereinafter specified, and a public hearing having been held upon said applications, and the Commission finding that the purposes for which the proceeds of said notes are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Los Angeles and San Diego Beach Railway Company be and the same is hereby authorized to issue its promissory note in the sum of \$15,000.00, bearing interest at the rate of 6 per cent per annum, payable four months after the date of this order, payable to American National Bank of San Diego, or order, and its promissory note in the sum of \$19,000.00, bearing interest at the rate of 7 per cent per annum, payable four months after the date of this order, payable to the Citizens' National Bank of Los Angeles, California, on the following conditions, and not otherwise, to wit:

1. Los Angeles and San Diego Beach Railway Company shall issue said notes at not less than their face value.

2. Los Angeles and San Diego Beach Railway Company shall use the proceeds of the first of said notes to take up note of July 18, 1913, in the same amount, in favor of the same bank, and shall use the proceeds of the second of said notes to take up note of E. S. Babcock, endorsed by Charles T. Hinde, dated January 19, 1914, in the same amount, payable to the same payee.

3. Los Angeles and San Diego Beach Railway Company shall report to this Commission the fact of the issue of said notes and the terms of their issue.

4. This order shall apply only to promissory notes issued prior to June 1, 1914.

5. This order shall not become effective until the fee specified in section 57 of the Public Utilities Act, as amended, has been paid.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

-----  
DECISION No. 1442.

IN THE MATTER OF THE APPLICATION OF PACIFIC BUILDING COMPANY FOR AN ORDER AUTHORIZING THE SALE OF ITS WATER SYSTEM TO FAIRMOUNT WATER COMPANY AND OF FAIRMOUNT WATER COMPANY FOR AUTHORITY TO ISSUE STOCK AND BONDS IN PAYMENT THEREFOR TO PACIFIC BUILDING COMPANY.

-----  
Application No. 1060.

*Decided April 15, 1914.*

-----  
Pacific Building Company authorized to transfer to the Fairmount Water Company its certain water system in and adjacent to the city of East San Diego, provided that the former company construct all additions and improvements directed to be installed in a prior order of the Commission, and also provided that conditions caused by such transfer shall not be urged as a justification to increase rates.

Fairmount Water Company authorized to issue its capital stock of the par value of \$45,000.00, and such other shares as may be equivalent to the par value of improvements installed by the Pacific Building Company, in exchange for said water system.

*Haines & Haines*, for Pacific Building Company.

*Lester D. Welch*, for City of East San Diego.

*F. G. Blood*, for Chamber of Commerce of East San Diego.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application on the part of Pacific Building Company to sell to Fairmount Water Company the Pacific Building Company's water system located in the city of East San Diego and in the vicinity thereof, in San Diego County, California, and of Fairmount Water Company to issue its stock of the par value of \$12,158.00 and its bonds of the face value of \$36,000.00 in payment therefor.

Pacific Building Company is primarily engaged in the land and building business in and about San Diego, California, but as incidental to its operations in East San Diego, owns and operates a water system in and adjacent to said city. Pacific Building Company desires to segregate its water utility business from its other operations, and all

parties concede the desirability of such action. The Fairmount Water Company is a corporation already in existence, having water utility powers, and controlled by Pacific Building Company. The latter company accordingly asks authority to convey its entire water system to the Fairmount Water Company in exchange for the latter company's stock and bonds as hereinbefore specified.

The city of East San Diego and the Chamber of Commerce of East San Diego appeared at the hearing and urged several objections to the granting of the petition. They represented that there has been considerable agitation in East San Diego in favor of the acquisition of this water system by the municipality, and that the Commission's action on this application might possibly prejudice the city of East San Diego with reference to the price to be paid, if the municipality should later desire to acquire the system. Mr. O. W. Cotton, the president of the Pacific Building Company, replied that this application is made solely for the purpose of segregating the water business of this company from its other operations and not for the purpose of securing any advantage as against the people of East San Diego. He agreed that the order in this proceeding shall contain a condition to the effect that the consideration to be authorized by this Commission in this proceeding for the transfer of the property should not be taken before the Commission, or any other public authority, to represent for rate-fixing, condemnation, or any other purpose the real value of the property.

On the suggestion of the Commission that the issue of bonds by the Fairmount Water Company might tend to complicate and embarrass the situation, the Pacific Building Company agreed to transfer its water system for stock alone of the Fairmount Water Company. In this connection the Commission also drew attention to the fact that if the value of the property were being fixed for condemnation or rate-fixing purposes, and that if anything other than stock were being paid under the circumstances as revealed in this application, it would be necessary to examine closely the history of the relationship between the land company and this water system. It becomes unnecessary, however, on this application, to examine these matters.

Pacific Building Company claims a depreciated reproduction value of \$48,158.30 for its water system as of September, 1913. One of this Commission's hydraulic engineers made a rough check of the valuation as presented, subtracted one year's depreciation which has accrued subsequent to the company's valuation, and thereupon presented the following estimate of present value:

System in East San Diego.....	\$44,710 00
System in Sierra Vista Tract.....	951 00
New meter <i>in re</i> water supply from city of San Diego.....	250 00
	<hr/>
	\$45,911 00

I shall recommend that Fairmount Water Company be authorized to issue its capital stock of the par value of \$45,900.00 in exchange for the entire water system of the Pacific Building Company, but only on the conditions specified in this opinion and order.

This Commission, in its decision rendered on March 11, 1914, in Case No. 446, *Brockmeyer vs. Pacific Building Company*, approved an agreement between the city of East San Diego and Pacific Building Company, under which the latter company is to lay additional mains and make other improvements to its water system in East San Diego. Pacific Building Company now estimates that this work will cost \$5,518.00. All parties agree that this work shall be completed by Pacific Building Company and that thereupon Fairmount Water Company may issue its capital stock to Pacific Building Company of a par value equal to the actual cost of the work.

The representatives of the city of East San Diego also urged that the establishment of a separate organization for the operation of the water utility might result in increased operating expenses. The applicants thereupon stipulated that the altered conditions resulting from the transfer should never be used as the basis for a request for an increase in rates, and that if application for an increase in rates is ever made, any possible increase in expense resulting from the transfer will not be urged or considered in justification for any such increase.

The only purpose of this application is to segregate the Pacific Building Company's water business from its other operations, and the effect of the order in this proceeding must be limited to the end in view.

I submit herewith the following form of order:

**ORDER.**

Pacific Building Company having filed its petition for an order authorizing it to transfer to Fairmount Water Company its entire water system and the property connected therewith in the city of East San Diego and the vicinity thereof, and Fairmount Water Company having applied for an order authorizing it to issue certain capital stock and bonds in payment therefor, and a public hearing having been held on such petition, and the matter having been submitted and being now ready for decision,

*It is hereby ordered as follows:*

1. Pacific Building Company is hereby authorized to sell, convey and assign to Fairmount Water Company on the conditions specified in this order, its water system and property therewith in the city of East San Diego and in the vicinity thereof, more particularly described as follows:

Lots 37 and 38, in block 49 of City Heights in the city of East San Diego, county of San Diego, State of California, according to the map of said City Heights on file in the recorder's office of said county.



Also lot 2 in block "D" in Bungalow Park, in the city of East San Diego, county of San Diego, State of California, according to the map thereof on file in the recorder's office of said county.

Also lots 21 to 24, both inclusive, in block 6½ in City Heights Annex No. 1 in the city of East San Diego, county of San Diego, State of California, according to the map thereof on file in the recorder's office of said county.

Also all the main pipe lines, laterals, towers, tanks, valves and fixtures of every kind and nature, together with all rights of way upon which the same are situated, and all easements and servitudes appurtenant thereto constituting the systems owned and operated by the Pacific Building Company for distributing water from the Cuyamaca Water System and the city of San Diego, said distributing systems being shown on the plats marked Exhibit "B" and Exhibit "C," attached to the petition herein.

Also all the additions and improvements in said water system referred to in this Commission's order rendered on March 11, 1914, in Case No. 446, *Brockmeier vs. Pacific Building Company*, which additions and improvements Pacific Building Company is to construct and install at its own expense.

Also all the personal property of every kind and character used with and in the operations of said water system, including the items set forth in Exhibit "I," attached to the petition herein.

Also the right of Pacific Building Company to the delivery of water into its distributing systems under the following contracts, to wit:

A contract entered into between San Diego Flume Company, a corporation, and the Columbian Realty Company, dated July 1, 1909, for the furnishing of water by said San Diego Flume Company to said Columbian Realty Company, a copy whereof is attached to the petition herein and marked Exhibit "D."

A contract entered into between Southern California Mountain Water Company and Pacific Building Company, dated March 24, 1911, for the furnishing of water by the former company to the latter company, a copy whereof is attached to the petition herein and marked Exhibit "F."

2. Fairmount Water Company is hereby authorized to issue in exchange for said property and rights 4,590 shares of its capital stock of the total par value of \$45,900.00 and such further shares as may be equivalent in par value to the actual cost of the additions and improvements to be constructed and installed by Pacific Building Company as hereinbefore specified, but only on the following conditions and not otherwise, to wit:

(a) Said sum of \$45,900.00 in stock is not established as the present value of said property and said sum shall not be taken before this Com-

mission or any other public authority as representing for the purpose of establishing rates or in eminent domain proceedings or for any other purpose, the present value of the property.

(b) The changed conditions resulting from the transfer hereby authorized shall never be urged before this Commission or any other public authority as a justification for or an argument in favor of increasing in any degree the rates to be charged for water by the owner or owners of said water system.

(c) The purpose of this order is simply to authorize the segregation of the Pacific Building Company's water system from its other property, and the effect of the order shall not be held as against the consumers of water from this system to extend further than the end thus sought to be attained.

(d) Upon completion of said work to be performed by Pacific Building Company, the applicants herein shall report to this Commission the actual cost of said work, whereupon a supplemental order will be entered authorizing Fairmount Water Company to issue to Pacific Building Company such additional shares of its capital stock as may be proper on the basis of the actual value of the work performed.

(e) The applicants herein shall file with this Commission a certified copy of the deed of Pacific Building Company to Fairmount Water Company, when executed, and Fairmount Water Company shall report the fact of the issue of all stock hereby authorized and the terms of the issue.

(f) This order, in so far as it refers to the issue of stock amounting to \$45,900.00 by Fairmount Water Company, shall apply only to such stock as may be issued prior to June 30, 1914.

3. Fairmount Water Company, on compliance with the conditions hereinbefore specified, may enter into possession of said water system and operate the same as a public utility, subject to all the existing obligations of the system.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

## DECISION No. 1443.

IN THE MATTER OF THE APPLICATION OF CITY WATER COMPANY OF BANNING, CALIFORNIA, FOR AN ORDER AUTHORIZING ISSUE OF ONE HUNDRED AND EIGHTY-SIX SHARES OF CAPITAL STOCK.

---

Application No. 1013.

*Decided April 15, 1914.*

---

City Water Company of Banning and Banning Water Company each authorized to issue 186 shares of their capital stock in exchange for certain "deeded water rights," amounting to 31 inches.

*Frank L. Miller, for Applicant.*

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application by City Water Company of Banning, California, for an order authorizing the issue of 186 shares of its capital stock, of the par value of \$5.00 each, to the owners of certain so-called "deeded water rights," in consideration for the conveyance of the same.

Banning Water Company is the owner of water-bearing lands and water rights, pumping plants and a water transmission and distribution system used for supplying the water consumed in the city of Banning, Riverside County, and the territory adjacent thereto. It has an authorized issue of \$90,000.00 par value of stock, of the par value of \$5.00 each, and has actually issued shares totalling \$15,449.83, par value. Its property is estimated by applicant to be worth about \$550,000.00.

City Water Company of Banning, California, supplies water for domestic purposes only to some 275 customers in the city of Banning. This water the company secures entirely from Banning Water Company by virtue of the ownership of 120 shares of the latter company's stock. The company values its property roughly at \$25,000.00.

Many years ago, before the Banning Land Company or either of the water companies were incorporated, the owners of the lands in this vicinity sold a portion thereof, together with 31 inches of water, to parties who, with their successors in interest, have held title to the water right entirely irrespective of either of said water companies. This water has been conveyed to their lands for many years through the pipes and conduits of the Banning Water Company. Considerable friction has arisen between the owners of these "deeded water rights" and the stockholders of the Banning Water Company as to the compensation to be paid by said owners to the company for its services

in transporting the water. Litigation ensued and is still pending in the courts.

Finally, the owners of a majority of the issued stock of the Banning Water Company and the City Water Company of Banning, California, and all, or practically all, the owners of the "deeded water rights" have agreed upon the following solution of their difficulties: the owners of the "deeded water rights" are to convey them to the Banning Water Company and are to receive in return therefor 6 shares of stock of the Banning Water Company and 6 shares of stock of the City Water Company of Banning, California, for each inch of "deeded water right" so conveyed. When this transaction has been carried out, all the users of water conveyed through the system of the Banning Water Company will receive water, in proportion to their respective rights, on an equal footing without discrimination.

The public hearing in this matter was held in Banning on April 13, 1914. No one appeared in opposition to the granting of the application. All parties seemed to welcome the above solution of a long-standing source of friction.

The stockholders in each of the two water companies are the same, and each owns the same number of shares in each of the companies as he owns in the other. If the above solution is authorized, the stock of each company will be issued above par.

While the Banning Water Company is a mutual water company, it nevertheless supplies water to the City Water Company of Banning, California, an undoubted public utility, for sale by the latter to its customers. To obviate any possible doubt as to the legality of the proposed issue of stock by Banning Water Company, I recommend, in accordance with the request of the company at the hearing, that the Commission authorize the issue of the proposed stock by that company also.

I submit the following form of order:

**ORDER.**

City Water Company of Banning, California, and Banning Water Company having each applied for an order of this Commission authorizing the issue by each of six (6) shares of its capital stock of the par value of five dollars (\$5.00) for each share, in consideration for each inch of "deeded water right" to be conveyed to Banning Water Company by persons owning so-called "deeded water rights" amounting to 31 inches, as specified in the petition herein, and a public hearing having been held on said application, and the Railroad Commission finding that the purposes for which said stock is to be issued are not, in whole or in part, properly chargeable to operating expenses or to income,

*It is hereby ordered* that said application be and the same is hereby granted, subject to the following conditions:

1. Said stock shall be issued only for the purposes and in the amounts hereinbefore specified.

2. Said two companies shall report to this Commission the fact of the issue of said stock and the terms of issue thereof, and shall also file a certified copy of each deed of conveyance of such "deeded water rights."

3. The authority hereby granted to issue stock shall apply only to stock issued on or before the first day of November, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

---

DECISION No. 1444.

IN THE MATTER OF THE APPLICATION OF THE WILMINGTON WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK AND STOCK CERTIFICATES.

---

Application No. 1035.

*Decided April 15, 1914.*

---

Applicant authorized to issue 135 shares of its capital stock of the par value of \$100.00 per share; \$5,900.00 face value to be issued to E. W. Sandison, Jr., for moneys advanced for construction and other purposes, and the balance to be sold at par, proceeds to be used for extensions and improvements to plant.

*Thomson & Spencer*, for Applicant.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Wilmington Water Company for authority to issue 155 shares of its capital stock of a par value of \$100.00 each.

Applicant is a corporation organized for the purpose of installing and operating a water distributing system in the tract of land comprising about forty-eight acres located in the county of Los Angeles just north of the city limits of the former city of Wilmington. This Commission has heretofore issued a certificate of public convenience and necessity to applicant for the operation of said system at said place.

It is proposed by applicant to issue this stock at par for the following purposes:

1. To reimburse Edwin W. Sandison, Jr., the sum of \$5,886.17, advanced by him and used by the corporation for its organization, for obtaining its franchise, and for the building and equipping of its plant.

2. The acquisition and installation of 360 meters at an average cost of about \$9.00 each, or \$3,240.00, and for the installation of these meters and for service connections, \$5.00 each, or \$1,800.00.

3. For the maintenance of its service for a period of two years, \$2,000.00; and for extensions, betterments and repairs, \$2,500.00.

Applicant has installed its plant in a tract of land lately subdivided into building lots, which are not now occupied, but which it is expected will be sold in the near future. The cost of its plant to date has been \$5,886.17, which Mr. Edwin W. Sandison, Jr., has advanced, and inasmuch as these building lots are not now occupied, the revenue of the company from the sale of water will be comparatively small for some time to come. Hence, the request that we permit the issuance of \$2,000.00 to maintain the service for an estimated period of two years, during which the income will not be sufficient to maintain the service.

Applicant proposes to install meters on every service and to pay for the service connections, meters and the installation thereof, itself. Hence, the request for permission to issue \$3,300.00 of stock for the purchase of meters, and \$1,800.00 for the installation thereof and for service connections.

It is expected that the plant will have to be considerably extended and betterments added, and for this purpose we are asked to permit the issuance of \$2,500.00 of stock.

The request for permission to issue \$2,000.00 of stock to maintain service for an estimated period of two years should at this time be denied. It would be unwise to commit ourselves to the proposition that of necessity this plant will not produce income sufficient to maintain service for any definite or indefinite period. The consideration of this item should be left to a time when a conclusion could be reached based upon actual experience.

I recommend that this application, with the above exception, be granted, with the proviso that before any of the money derived from the sale of stock is used for the purpose of making extensions and betterments, a detailed statement with an estimate of cost of such proposed extensions and betterments be filed for the approval of this Commission.

I submit herewith the following form of order:

**ORDER.**

Application having been made by Wilmington Water Company for an order authorizing the issue of 155 shares of its capital stock of the par value of \$100.00 per share, and a public hearing having been had

thereon, and it appearing to the Commission that the purposes for which the proceeds of the sale of said stock are to be used are not, in whole or in part, reasonably chargeable to operating expenses or to income.

*It is hereby ordered* by the Railroad Commission of the State of California that Wilmington Water Company is hereby authorized to issue 135 shares of its capital stock of a par value of \$100.00 per share, upon the following conditions, not otherwise:

1. Five thousand nine hundred dollars par value of said stock shall be issued to Edwin W. Sandison, Jr., in full payment and compensation for the sum of \$5,886.17, heretofore advanced by him to said company. Immediately upon the issuance of this stock there shall be a certificate filed with the Commission, signed by a duly authorized officer of said company, certifying that Edwin W. Sandison, Jr., has receipted in full for all moneys advanced by him to said corporation.

2. Seventy-six shares of the capital stock of applicant may be sold to net applicant not less than par, and the proceeds thereof shall be used for the following purposes:

(a) For the purchase of meters.....	\$3,300 00
(b) For the installation of said meters and of service connections .....	1,800 00
(c) For extensions and betterments.....	2,500 00

Provided that no expenditures from the proceeds of the sale of said stock for the purpose of making extensions or betterments shall be made until there shall have been filed for the approval of the Commission, a statement in detail with estimated cost of the proposed extensions or betterments.

3. Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of said stock hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such stock during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom, and the use and application of such moneys.

4. The authority hereby given to issue such stock shall apply only to stock issued by said company on or before the 15th day of April, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of April, 1914.

## DECISION No. 1445.

IN THE MATTER OF THE APPLICATION OF PACIFIC LIGHT AND POWER CORPORATION FOR A PRELIMINARY ORDER DECLARING THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES UNDER A CERTAIN PROPOSED FRANCHISE, FOR AN ELECTRICAL DISTRIBUTING SYSTEM IN VENTURA COUNTY, CALIFORNIA.

---

Application No. 1042.

*Decided April 16, 1914.*

---

Applicant granted an order, preliminary to the issuance of a certificate, declaring that public convenience and necessity require the exercise of rights and privileges under a certain franchise to be secured from the county of Ventura, authorizing it to construct and operate an electrical distributing system in certain portions of said county.

S. M. Haskins, for Applicant.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Pacific Light and Power Corporation for an order preliminary to the issuance of a certificate of public convenience and necessity.

Applicant is engaged in the business of generating and distributing electricity over a large portion of territory in southern California.

It now proposes to build lines and distribute electricity in Ventura County, in territory not now served with electricity except to a small portion thereof. The Ventura County Power Company serves a small portion of the territory embraced in this application, but the majority of stock of this latter company is owned by Mr. H. E. Huntington, who controls the applicant herein, and at the hearing it was stated that the Ventura County Power Company made no objection to the granting of this application, and, furthermore, that applicant herein and said company would be operated under the same general management; that there would be no duplication of plant, but that the two companies would be run in close cooperation.

Applicant was unable at the hearing to state any schedule of rates, but assurances were given that the same rates would apply in the territory to be entered as applied over the rest of applicant's system where conditions are similar.

Applicant has made application to the board of supervisors of the county of Ventura for a franchise for the territory here involved, but this franchise has not as yet been granted.



There can be no doubt that the serving of this territory with electricity will be of great benefit to the people residing therein, and I recommend that this application be granted and submit herewith the following form of order:

**ORDER.**

Application having been made by Pacific Light and Power Corporation for an order preliminary to the issuance of a certificate of public convenience and necessity, and a public hearing having been had thereon, and it appearing that the application should be granted,

*It is hereby ordered* by the Railroad Commission of the State of California that upon filing with this Commission a franchise issued in due form by the supervisors of Ventura County covering the territory hereinafter described, and which said franchise shall meet the approval of this Commission, an order will thereupon issue declaring that public convenience and necessity require the exercise of rights and privileges by Pacific Light and Power Corporation under said franchise.

Said franchise shall authorize said corporation to construct, operate, and maintain an electrical distributing system in all public streets, roads and highways in those certain townships in Ventura County, described as follows, to wit:

Township 1 north, range 17 west, San Bernardino base and meridian.  
 Township 2 north, range 17 west, San Bernardino base and meridian.  
 Township 3 north, range 17 west, San Bernardino base and meridian.  
 Township 1 north, range 18 west, San Bernardino base and meridian.  
 Township 2 north, range 18 west, San Bernardino base and meridian.  
 Township 3 north, range 18 west, San Bernardino base and meridian.  
 Township 1 south, range 19 west, San Bernardino base and meridian.  
 Township 1 north, range 19 west, San Bernardino base and meridian.  
 Township 2 north, range 19 west, San Bernardino base and meridian.  
 Township 3 north, range 19 west, San Bernardino base and meridian.  
 Township 1 south, range 20 west, San Bernardino base and meridian.  
 Township 1 north, range 20 west, San Bernardino base and meridian.  
 Township 2 north, range 20 west, San Bernardino base and meridian.  
 Township 3 north, range 20 west, San Bernardino base and meridian.  
 Township 1 south, range 21 west, San Bernardino base and meridian.  
 Township 1 north, range 21 west, San Bernardino base and meridian.  
 Township 2 north, range 21 west, San Bernardino base and meridian.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of April, 1914.

## DECISION No. 1446.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY AND WEST SACRAMENTO ELECTRIC FOR AN ORDER AUTHORIZING THE FORMER TO SELL AND THE LATTER TO BUY CERTAIN TRANSFORMERS, SWITCHES AND OTHER ELECTRICAL APPLIANCES LOCATED IN YOLO COUNTY, CALIFORNIA.

Application No. 1045.

*Decided April 16, 1914.*

Application of the Pacific Gas and Electric Company and the West Sacramento Electric, the former to sell to the latter certain transformers and equipment for the sum of \$2,588.82, granted.

*C. P. Cutten*, for the Pacific Gas and Electric Company.

*John S. Partridge*, for the West Sacramento Electric.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is a joint application by Pacific Gas and Electric Company and West Sacramento Electric, in which the former asks authority to sell to the latter and the latter asks authority to purchase from the former certain transformers and equipment used in the distribution of electric energy in Yolo County, the selling price to be two thousand five hundred eighty-eight and 82/100 (\$2,588.82) dollars.

In its order issued May 15, 1913, and supplemental order issued May 28, 1913, in Application No. 521, this Commission authorized the Pacific Gas and Electric Company to transfer certain electric distribution lines and equipment to the West Sacramento Electric under certain conditions as set forth therein. On December 30, 1913, the applicants entered into an agreement of sale whereby the Pacific Gas and Electric Company transferred to West Sacramento Electric certain other properties which are used in connection with the operation of the properties conveyed under the Commission's order in Application No. 521.

The property sought to be sold under the last agreement of sale is more particularly described as follows, together with the itemization of selling price:

Reclamation District No. S11—

One 30-kilowatt type "H" transformer-----	\$223 91
Labor installing -----	5 50
Hauling -----	2 50

<i>Brought forward</i> -----	\$231 91
<b>H. Reed—</b>	
One 15-kilowatt type "H" transformer-----	139 08
Labor installing -----	39 85
One 3-kilowatt type "H" transformer-----	55 02
Two current transformers at \$20.00-----	40 00
One 11-kilovolt disconnecting switch leg-----	15 00
Labor -----	16 00
Team hire -----	1 50
Material -----	2 50
<b>W. Beardslee—</b>	
Three 5-kilowatt type "H" transformers at \$70.79-----	212 37
One 50-ampere type D-3 meter, 220-volt-----	31 15
One 11-kilovolt disconnecting switch leg-----	15 00
Labor -----	38 00
Team hire -----	8 50
Material -----	3 80
<b>Reclamation District No. 537—</b>	
Three 75-kilowatt type "H" transformers at \$382.28-----	1,146 84
Labor -----	40 00
Team hire -----	35 00
Material -----	2 00
<b>Reclamation District No. 785—</b>	
One current transformer-----	36 00
Labor -----	2 00
Hauling -----	50
Material -----	50
<b>O. A. Lovdal—</b>	
Three 15-kilowatt type "H" transformers at \$139.08-----	417 24
One 100-ampere type D-3 meter-----	36 34
One 75-ampere type D-3 meter-----	34 11
Labor -----	34 31
Team hire -----	25 05
Material -----	2 61
<b>C. Merkeley—</b>	
One 15-ampere type D-3 meter-----	26 70
Labor -----	2 50
Hauling -----	75
Material -----	75
<b>W. E. Lovdal—</b>	
One 50-ampere type D-3 meter-----	31 15
Labor -----	2 50
Material -----	60
Hauling -----	60
<b>F. White—</b>	
One 7½-kilowatt type "K" transformer-----	88 16
One 50-ampere type D-3 meter-----	31 15
One 11-kilovolt disconnecting switch leg-----	15 00
Labor -----	18 50
Team hire -----	2 60
Material -----	3 10
<b>Less Credit.</b>	
Meter equipments included in original inventory—in error:	
Three current transformers, 20-ampere 4/1 at \$30.00-----	90 00
Three current transformers, 15-ampere 3/1 at \$30.00-----	90 00
Three potential transformers, 1000 watts at \$39.14-----	117 42
<b>Total</b> -----	<b>\$2,588 82</b>

The equipment above described was intended by the applicants to be included in the first agreement of sale but was inadvertently omitted therefrom.

Inasmuch as the property sought to be purchased by West Sacramento Electric is necessary to the operation of the electric distribution system already acquired by it, and as the price agreed on by applicants appears to be a fair value of the property involved, I recommend that the application be granted and submit the following form of order:

**ORDER.**

Pacific Gas and Electric Company and West Sacramento Electric having applied to this Commission for an order authorizing the sale by the former to the latter and the purchase by the latter from the former of certain transformers and equipment necessary for the proper distribution of electric energy in Yolo County, and a public hearing having been held on said application, and it appearing that public convenience and necessity require that this application be granted,

*It is hereby ordered* that Pacific Gas and Electric Company be and it is hereby authorized to sell said transformers and equipment to West Sacramento Electric, and West Sacramento Electric is hereby authorized to purchase said property from Pacific Gas and Electric Company on the following conditions and not otherwise:

(1) Said property may be sold and conveyed under and in accordance with the terms, provisions and covenants contained in the agreement of sale executed by the applicants dated the 30th day of December, 1913, at a price not to exceed the sum of two thousand five hundred eighty-eight and 82/100 dollars (\$2,588.82).

The property shall be paid for by two notes—one for the sum of two thousand (\$2,000.00) dollars and one for the balance of five hundred eighty-eight and 82/100 dollars (\$588.82). These notes shall be issued as of the effective date of this order and mature ninety (90) days from the date thereof. They shall bear interest at the rate of 8 per cent per annum.

(2) Said sum of two thousand five hundred eighty-eight and 82/100 dollars (\$2,588.82) shall not hereafter be used before this Commission, or any other public authority, as a basis for establishing or determining the value of said property for rate fixing or any other purpose.

(3) The purchase of said property shall not be used by the West Sacramento Electric as a basis for increasing any rate or charge for electric service in the territory involved in the application.

(4) The purchase of the said property of Pacific Gas and Electric Company by West Sacramento Electric shall be taken as a consent by the latter corporation to all the terms and conditions of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of April, 1914.

---

DECISION No. 1447.

IN THE MATTER OF THE APPLICATION OF WILLIAM E. BALL FOR AN ORDER AUTHORIZING THE CONVEYANCE OF THE MELVIN PLACE WATER PLANT, LOS ANGELES COUNTY, CALIFORNIA, TO JESSE S. HARKER.

---

Application No. 1053.

*Decided April 16, 1914.*

---

William E. Ball authorized to convey to James S. Harker the Melvin Place water plant, in the county of Los Angeles, in exchange for certain property in Madera County.

*D. A. Jacobs*, for Applicant.

REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is the same property which this Commission heretofore, on October 14, 1912, authorized E. W. Payne to convey to William E. Ball. (See this Commission's Decision No. 272 on Application No. 217, Volume I, Opinions and Orders of the Railroad Commission of California, page 727, and also Decision No. 450, rendered February 7, 1913, Volume II, Opinions and Orders of the Railroad Commission, page 172.)

The hearing in this matter was held in Los Angeles on April 15, 1914. Mr. Ball testified that by reason of the health of his family, and also his own temperamental unfitness as the owner and operator of a public utility, he was desirous of disposing of this property and of moving to Madera County. He has made an agreement with Jesse S. Harker to exchange the Melvin Place water plant for a ranch in Madera County, the value of which does not appear from the petition or from the evidence. Mr. Harker has larger financial interests than Mr. Ball, and desires to acquire this utility and to take personal charge thereof. No one appeared in opposition to the application.

I find that public convenience and necessity would be served by granting the application, and submit herewith the following form of order:

ORDER.

William E. Ball having applied for an order authorizing the conveyance of Melvin Place water plant to Jesse S. Harker, in exchange

for a ranch in Madera County, the value whereof does not appear, and the Commission finding that public convenience and necessity would be served by such conveyance,

*It is hereby ordered* that William E. Ball, the owner of the so-called Melvin Place water plant, in Los Angeles County, California, is hereby authorized to convey to Jesse S. Harker, in exchange for a ranch in Madera County, referred to in the petition herein, said Melvin Place water plant, more particularly described as follows:

Lots 4 and 5 of the Melvin Place, together with a certain water plant or system, including a house, engine house, tanks, pump, pipes and piping, situate thereon and connected therewith, and all franchises, easements, rights of way and appurtenances appertaining to or connected with the said water plant or system, more particularly described in a deed dated May 27, 1910, between E. W. Payne and his wife, and Mrs. L. P. Melvin and "Home Builders," a corporation, which document is now of record in the office of the county recorder of Los Angeles County.

Upon the execution of a deed of conveyance the parties hereto shall file a certified copy thereof with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of April, 1914.

---

DECISION No. 1448.

IN THE MATTER OF THE APPLICATION OF NAPA VALLEY  
ELECTRIC COMPANY FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY AUTHORIZING SAID  
COMPANY TO CONSTRUCT AN EXTENSION OF ITS  
ELECTRIC DISTRIBUTING SYSTEM INTO THE TOWN  
OF CALISTOGA AND THE VICINITY THEREOF IN NAPA  
COUNTY, CALIFORNIA.

---

Application No. 1020.

*Decided April 16, 1914.*

---

REPORT OF THE COMMISSION.

Calistoga Electric Company having filed its application for rehearing in the above entitled proceeding, and due consideration having been given thereto, and no good reason appearing why such rehearing should be granted,

*It is hereby ordered* that said petition be and the same is hereby denied.

Dated at San Francisco, California, this 16th day of April, 1914.

## DECISION No. 1449.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY TO MOVE THE STATION AT NEW ENGLAND MILLS AND TO ABANDON THE AGENCY AT NEW ENGLAND MILLS.

---

Application No. 1027.

*Decided April 17, 1914.*

---

Application of Southern Pacific Company to remove its present depot and sidetracks at New England Mills to a point approximately 2,000 feet east, and to discontinue the agency at that point, granted; provided that applicant make satisfactory arrangements to maintain a temporary agency during the months of August, September, and October of each year.

*Geo. D. Squires*, for Southern Pacific Company.

*E. Franklin*, for citizens of New England Mills and vicinity.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

Southern Pacific Company on March 10, 1914, filed with the Commission its application for permission to move the station at New England Mills and to abandon the agency at that point. The applicant's eastbound and westbound tracks at New England Mills are approximately six tenths (6/10) of a mile apart, and the agent is located on the westbound track. On the eastbound track applicant has installed a siding and house track, and has erected a small freight station. Applicant now desires to move this station to a point on its line distant about two thousand (2,000) feet easterly from its present location and near a point where the county road crosses the railway. It is also proposed to rearrange and move to the east the existing siding and house track. The applicant states that the change in location as proposed will greatly benefit the public by rendering the facilities more accessible, and that the public interest and convenience will be subserved by this relocation. The applicant also desires to remove the agent who is now located on the westbound track, and to discontinue the agency at New England Mills entirely. It is claimed that the applicant's records show that only a small amount of business is handled at this station and that the receipts are not sufficient to justify the expense of continuing an agency.

A hearing was held in this case at Colfax on April 4, 1914, at which hearing the applicant was represented and most of the people from New England Mills and the surrounding territory who were interested in the matter were present.

The Commission prior to the hearing had directed its engineering department to make an investigation into the facts of the case, with the result that the statement in regard to the desirability of relocating the facilities on the eastbound track were found to be substantially correct. No objection developed at the hearing to this phase of the application, and I therefore see no reason why the applicant's request should not be granted, so far as the change in the location of the present depot, siding and house track on the eastbound track is concerned.

With reference to the second part of the application, namely, the discontinuance of the agency at New England Mills, the facts appear to be as follows: The Southern Pacific Company in a letter to the Commission of July 16, 1913, asked permission, informally, to discontinue this agency. Investigation by the engineering department showed that there was considerable objection on the part of the people in this neighborhood to the closing of this station, two petitions having reached the Commission, one with forty-six (46) signatures and the other with fifty-nine (59). The company was therefore instructed to make a formal application in order to give the people an opportunity to be heard, and the present application is the result.

The investigation developed that prior to the construction of the second (eastbound) track in December, 1910, a staff operator was maintained at New England Mills in connection with the operation of the staff signal system, and who, incidentally, acted as passenger and freight agent. There was no justification from the amount of business transacted at New England Mills to maintain there a regular freight and passenger agent, and the presence of the staff signal operator was essential from an operating point of view only. When the double tracking of the line between Auburn and Colfax was completed and the automatic block signal system installed, the maintenance at New England Mills of a staff operator was no longer necessary and the company discontinued the signal station.

The people living in the territory tributary to New England Mills had, however, enjoyed agency facilities for so long that they protested strongly to the Southern Pacific Company against the removal of this operator. The company thereupon decided upon the establishment of an experimental freight and ticket agency in the expectation that sufficient business might develop to warrant the continuance of such an agency. The company was largely influenced in this decision by the fact that a considerable amount of construction work was carried on by the Pacific Gas and Electric Company in this neighborhood and that the traffic resulting therefrom was handled at New England Mills. In a letter written by the company to this Commission on December 5, 1912, the Southern Pacific Company, in pursuance to General Order No. 30, notified the Commission "that the establishment of this agency



is experimental and that this company does not hereby, or in any other way, undertake to maintain it."

The Commission instructed the applicant to furnish a statement of traffic and revenue, for both freight and passengers, properly creditable to New England Mills for the period from January, 1913, to February, 1914, the latest months for which these statistics are available. The figures furnished by the company were verified by the Commission, and are summarized as follows:

**Business at Station New England Mills.**

Established as Agency, December 5, 1912.

Next Station West—Applegate, 3.2 miles. Next Station East—Colfax, 5.0 miles.

**VOLUME (EVEN TONS).**

	Freight (tons)					Passenger tickets sold
	Carload		Less-than-carload		Total	
	Forwarded	Received	Forwarded	Received		
1913—January -----	15	463	8	136	622	181
February -----	32	367	3	109	511	219
March -----	101	228	11	47	387	250
April -----		28	58	53	139	205
May -----			42	11	53	105
June -----			2	11	13	111
July -----			4	14	18	123
August -----			16	6	22	106
September -----	8	42	12	10	72	80
October -----		15	6	18	39	83
November -----			6	13	19	48
December -----	3	65	4	22	94	54
Total for 12 months	159	1,208	172	450	1,989	1,565
1914—January -----			3	13	16	92
February -----			3	10	13	97

**CHARGES (EVEN DOLLARS).**

	Freight charges					Revenue from ticket sales
	Carload		Less-than-carload		Total	
	Forwarded	Received	Forwarded	Received		
1913—January -----	8	1,438	38	896	2,380	94
February -----	32	826	18	695	1,571	134
March -----	107	272	56	349	784	148
April -----		117	392	263	772	108
May -----			196	58	254	71
June -----			15	39	54	66
July -----			34	50	84	74
August -----			37	61	98	75
September -----	4	72	79	31	186	60
October -----		26	26	67	119	58
November -----			45	50	95	49
December -----	35	65	25	61	186	49
Total for 12 months	186	2,816	961	2,620	6,583	986
1914—January -----			15	48	63	74
February -----			13	41	54	81

It appears, then, that the total freight revenue for freight forwarded from and received at New England Mills during the year 1913 amounted to \$6,583.00. The total passenger revenue on business out of New England Mills, from 1,565 passengers, amounted to \$986.00; resulting in a total revenue from both freight and passengers of \$7,569.00. The fact should not be overlooked that the tonnage and revenue figures for the freight traffic represent traffic both received at and forwarded from New England Mills. So that in justice only a portion (approximately one half ( $\frac{1}{2}$ )) of the freight revenue should properly be credited to New England Mills and the other portion should appear as a credit at the other end of the haul. The table will also show that over sixty (60) per cent of the entire year's revenue falls in the first three (3) months of the year 1913. The revenue during these three (3) months was abnormal on account of the comparatively large amount of business done in connection with the construction work by the Pacific Gas and Electric Company. As mentioned heretofore, this work was completed by the middle of the year, and the months from June to December, 1913, may be considered as reflecting the normal conditions at New England Mills. The average revenue from both passengers and freight per month then appears to be practically \$179.00; and if it is assumed that one half ( $\frac{1}{2}$ ) of this revenue is from business actually originating at New England Mills, I arrive at the conclusion that about \$90.00 is available to pay for the maintenance of the agent, for operating expenses, and all other charges in connection with the handling of this business. This amount of revenue, of course, is entirely insufficient to justify the maintenance of an agency at that point. Much stress was laid by certain shippers represented at the hearing on the theory that the company should be required to maintain an agency like the one under consideration at a loss, provided it could be shown that its business as a whole for the entire system was profitable.

I am not prepared to subscribe to this view. While I am very much in sympathy with the efforts of the people of New England Mills to retain convenient and adequate station facilities, and am impressed by their fair-mindedness in presenting their claims, I am of the opinion that this Commission should not place any undue burden on one territory, or on one set of people in order to discriminate in favor of another. And this is what an order by this Commission to maintain this station at a distinct loss would amount to. I believe that the position of the Commission in regard to this important question was made clear at the hearing, and that the witnesses and interested parties present appreciated its attitude. The question at issue in this case is

simply whether the present and prospective business justifies the maintenance of an agent at New England Mills. I believe it will be clear that with the facts understood as to the small revenue at this point, the maintenance of an agency can not be justified from a revenue standpoint. The necessity of an agent at a railroad station does not, however, depend entirely or principally on the total revenue received. It depends primarily upon less-than-carload freight handled and upon the number of passengers using the station. In other words, the agent is needed particularly for the handling of less-than-carload business and attending to the needs and wants of passengers. The statement of less-than-carload business indicates that subsequent to the abnormal months mentioned above and during normal months this business runs at an average of approximately fifty (50) tons per month, with a decrease rather than an increase during the last three months. The passengers handled at this station during the normal months averaged from 49 to 108 per month; and here again there appears to be no tendency towards an increase. Judging by these latter facts there would again appear to be no necessity for the maintenance of an agent on account of the less-than-carload and the passenger business.

The principal business of the New England Mills territory seems to be the shipping of fruit. The Southern Pacific Company, through its representative, at the hearing expressed its willingness to cooperate with the Commission and the community in every way possible to give convenient and efficient service to the people at New England Mills; and I believe under the circumstances that this can best be accomplished by maintaining a temporary agent at New England Mills during each year's fruit shipping season, in the months of August, September, and October, or by employing a resident of New England Mills to act as a caretaker during the entire year. This caretaker might be the custodian of the key to the freight house, and attend to the receiving and forwarding of less-than-carload shipments, and need not necessarily have anything to do with tariffs, collection of freight charges, or the sale of tickets. It is my opinion that the practical working out of one or the other of these suggestions should be left to the Southern Pacific Company.

I find, therefore, as a fact that the change in the location of the present station and sidetracks two thousand (2,000) feet east from their present location will benefit the people of New England Mills, and that the applicant should be permitted to change these facilities as outlined in the application.

I find, further, that the continued maintenance of a freight and passenger agency is not justifiable, either by the amount of revenue derived from business properly creditable to New England Mills or by the less-than-carload freight business or number of passengers handled at this point.

I recommend that the applicant make arrangements, either by maintaining a temporary agency during the months of August, September, and October of each year, or by appointing a caretaker, as suggested heretofore, to properly serve the people at New England Mills.

I submit herewith the following form of order:

**ORDER.**

Southern Pacific Company having filed with the Commission its application in the proceeding entitled as above, and a public hearing having been held, and evidence having been presented by both parties, and the case having been submitted, and the Commission having ascertained the facts in this case, as hereinbefore set out, and basing its order on the findings contained herein and on the opinion which precedes this order,

*It is hereby ordered* as follows: Permission is hereby granted to applicant for the removal of its depot and sidetracks situated at New England Mills to a location approximately two thousand (2,000) feet easterly from their present location, near the point where the county road crosses the line of applicant's railway, as shown on a plan accompanying the application.

Permission is also granted to discontinue the agency at New England Mills, upon the condition that the applicant makes satisfactory arrangements to properly serve the public at New England Mills, either by maintaining a temporary agency during August, September, and October of each year, or by appointing a caretaker, as outlined hereinbefore; and that within thirty (30) days from the date of this order applicant notifies the Commission of its action in this matter.

The Commission reserves the right, upon proper showing or upon its own initiative, to change or modify this order as to it may seem right and proper, and as future developments may warrant.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of April, 1914.

## DECISION No. 1450.

IN THE MATTER OF THE APPLICATION OF RAYMOND  
TELEPHONE COMPANY FOR PERMISSION TO CHANGE  
ITS RULES SO AS TO COLLECT IN ADVANCE FOR TELE-  
PHONE RENTALS.

---

Application No. 1078.

*Decided April 17, 1914.*

---

## REPORT OF THE COMMISSION.

The Raymond Telephone Company having applied to this Commission for permission to change its published schedule of rates and rules and regulations affecting rates so as to enable it to collect from its patrons in advance for telephone rentals, and it appearing to the Commission that the applicant, Raymond Telephone Company, is amply justified in requiring the payment of its monthly accounts for rentals by its patrons in advance, and that this is not a case in which a public hearing is necessary,

*It is hereby ordered* that the Raymond Telephone Company be and it hereby is permitted to revise its schedule of rates and rules and regulations affecting rates, so as to enable it to collect from its patrons for monthly rentals in advance; provided, that this permission is not to be taken as authority to deny service for nonpayment of accounts alleged or claimed to be due, except for current monthly accounts.

This order to be and become effective from the date of its approval.  
By order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of April, 1914.

---

DECISION No. 1451.

IN THE MATTER OF THE APPLICATION OF MARIN COUNTY  
ELECTRIC RAILWAYS FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY FOR THE CONSTRUC-  
TION AND OPERATION OF A STREET RAILWAY SYSTEM  
IN MILL VALLEY, AND FOR AUTHORITY TO ISSUE  
STOCKS AND BONDS.

---

Application No. 947.

*Decided April 22, 1914.*

---

Supplemental order approving applicant's prospectus and directing that a copy of the Commission's decision authorizing it to issue stock be made a part thereof.

## REPORT OF THE COMMISSION.

## SECOND SUPPLEMENTAL ORDER.

LOVELAND, *Commissioner*.

This Commission having issued its order in the above entitled matter on March 26, 1914, and having provided therein that Marin County Electric Railways should be given authority to issue \$67,000.00 of stock; and said order having provided, among other conditions, that said stock should be sold only after the applicant, Marin County Electric Railways, should have received the approval of this Commission of a prospectus, which should set forth the salient facts pertaining to the organization and finances of said Marin County Electric Railways; and it having been provided, further, that said \$67,000.00 of stock should be sold only to persons who may have previously been furnished with a copy of said prospectus; and a prospectus having been prepared in accordance with such conditions, heretofore mentioned; and a copy of said prospectus being attached to the order herein as Exhibit "A,"

*It is hereby ordered* that the same be and it is hereby approved by this Commission as a prospectus filed in accordance with the order of this Commission in the above entitled matter.

*It is further ordered* that a copy of this Commission's opinion and order of March 26, 1914, in the above entitled matter, be made a part of said prospectus.

*It is further ordered* that section No. (5) of this Commission's order of March 26, 1914, in the above entitled matter, as follows:

"Said stock shall be sold only to persons who shall have previously been furnished with a copy of said prospectus,"

shall be construed to include as a part of said prospectus a copy of this Commission's opinion and order issued on March 26, 1914, in the above entitled application.

The foregoing second supplemental order is hereby approved and ordered filed as the second supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of April, 1914.

## EXHIBIT "A."

**Marin County Electric Railways, Mill Valley, California.**

OFFICERS: President, Brewster F. Ames; Vice-President, A. Harper; Secretary, Fred A. Kummerlander; General Manager and Engineer, W. Wesley Hicks.

DIRECTORS: Brewster F. Ames; A. Harper; W. Wesley Hicks.

DEPOSITORY: Bank of Mill Valley.

OFFICES: 320 Market Street, San Francisco; ———, Mill Valley.

TELEPHONES: Sutter 412S, San Francisco; ———, Mill Valley.

**Organization.**

This company is incorporated under the laws of the State of California, and is organized to build and operate electric railways in Mill Valley and Sausalito, Marin County.

**Franchise.**

The company owns a fifty-year franchise over streets of Mill Valley.

**Capitalization.**

The capital stock of the company consists of one thousand shares with a par value of \$100.00 each, or a total capital stock of \$100,000.00.

**Construction.**

The construction will consist of an overhead trolley system in Mill Valley, 60-pound rails, iron poles in the center of town and wood poles on the balance of the line. The space between the tracks and two feet each side will be macadamized and oiled.

**Cost of construction.**

The street car system will cost \$65,314.95 complete and ready for operation, including rolling stock.

**Financing and construction.**

Construction will be financed by the sale of stock which will be sold at par value to comply with the order of the Railroad Commission.

**Equipment.**

The equipment, cost of which is included under cost of construction above, will consist of two light, pay-as-you-enter, up to date cars equipped for one man operation.

**Route.**

One branch of the railway will commence at Cascade Reservation, run along Cascade drive to Throckmorton avenue, and along Throckmorton avenue to the depot of the Northwestern Pacific Railroad Company in the center of town.

A second branch will connect with the first at the same depot, run along Throckmorton, Buena Vista, across town park, through Boyle Park, along Walnut, Locust, and Sycamore avenues and the County Road to the depot of the Northwestern Pacific Company at the Tamalpais Union High School.

On week days one car will meet all trains of the Northwestern Pacific Company at the main depot and carry passengers out Throckmorton avenue. The other car will meet all trains at the high school depot and carry passengers into Tamalpais Park, etc.

On Sundays and holidays cars will operate on the same schedule, but the High School car will also run through to the Cascades.

**Fares.**

All single fares in town limits will be five cents, except that school children going to grammar school or to high school from any part of town will be charged half fare.

**Extracts from the order of the Railroad Commission.**

"I believe it is well here to reiterate the position previously taken by this Commission on matters of this kind. When a community desires that a certain utility or branch of a utility be constructed and is willing to incur the financial responsibility, and such responsibility is assumed with full knowledge that such benefits as may accrue must come from other sources than through returns upon the stock of such an enterprise, this Commission will be slow to interpose its objection." \* \* \*

(The benefits from other sources, referred to by the Commission, are possible increased values in realty and general convenience.)

"Purchasers of this stock must share, not only in the hope of reward, but in the responsibility for losses as well. Because of the nature of this enterprise, no investor should be encouraged to purchase stock until he has been placed in possession of full information bearing upon the enterprise. The order in this case will provide, therefore, that the applicant must submit to this Commission for its approval

a prospectus for the benefit of prospective purchasers of stock. I shall recommend, also, that the authorization in this matter be surrounded by additional conditions as may seem necessary." \* \* \*

"It is hereby ordered that Marin County Electric Railways be granted authority, and it is hereby granted authority, to issue 670 shares of its capital stock of the par value of \$100.00 per share, said stock to be issued upon the following conditions and not otherwise:

(1) Said stock shall be sold so as to net applicant the par value thereof.

(2) Said stock shall be sold only to bona fide residents of Mill Valley or to property owners in Mill Valley." \* \* \*

"Marin County Electric Railways shall enter upon the construction of its street railway herein projected only after it shall have collected from stock subscriptions the sum of \$35,000.00 and shall have received a supplemental order from this Commission authorizing it to begin such construction work." \* \* \*

"All moneys obtained from the sale of stock shall be deposited by Marin County Electric Railways in a bank or banks in Marin County as trust funds, on the express condition that if a total sum of \$35,000.00 shall not be so deposited within six months from the date of this order, or such further time as the Railroad Commission may grant, said moneys shall be repaid to persons who paid them, either in toto or diminished by the ratable proportion of such expenditures as the Railroad Commission, in the mean time, may have authorized."

"Marin County Electric Railways shall keep separate, true and accurate accounts showing the receipt and deposit of all funds secured in payment for or on subscriptions to the stock hereby authorized to be issued and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission showing the receipt and deposit of all such moneys, the stock issued during the preceding month and the terms and conditions of the issue, all in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order." \* \* \*

#### Traffic and revenue estimate of the company.

These estimates were compiled by the company and have not been approved by the Railroad Commission.

Annual revenue .....	\$20,166 25
Estimate annual operating and general expenses.....	\$13,217 20

#### Cost of construction: 2.78 miles railway in Mill Valley.

Cost of construction .....	\$45,243 75
Law expenses, for services rendered.....	\$500 00
Estimated law expenses during construction.....	214 00
	<hr/>
	714 00
Taxes .....	140 00
Cars (2) pay-as-you-enter type, equipped for one man operation	10,000 00
Miscellaneous .....	3,300 00

#### Preliminary expenses:

Promotion, W. Wesley Hicks, to be paid in stock....	\$3,000 00
Cash, to W. Wesley Hicks for expenditures made for the benefit of the company previous to incorporation .....	2,500 00
State incorporating fee, cost of franchise, printing stock certificates, etc. ....	417 20
	<hr/>
	5,917 20

Total cost of road .....	\$65,314 95
--------------------------	-------------



## DECISION No. 1452.

IN THE MATTER OF THE APPLICATION OF SANTA CLARA  
WATER AND IRRIGATING COMPANY FOR AN ORDER  
AUTHORIZING AN INCREASE IN RATES.

Application No. 136.

*Decided April 22, 1914.*

Applicant, contending that its present rates are not sufficient to cover operating expenses, petitions the Commission for permission to increase said rates to a uniform basis of twenty-five cents per day inch.

Applicant is at the present time under a contract to deliver for an indefinite period 200 inches of water to the Limoneira Company and is also under contract to deliver to the Thermal Belt Water Company 200 inches at an annual rental of \$800.00.

*Held*, That as already determined in prior cases of this nature, this Commission's jurisdiction extends over such contracts. That when they act as a detriment to the other consumers of a utility they may be justly amended or altered.

As to the contention of the Limoneira Company that the water secured by said company is a private appropriation:

*Held*, That water secured through a public utility can not be appropriated to a private use. That the consumer of such water is entitled to receive such supply with the attendant duty on the part of such user to pay the rate therefor.

*Held*, That applicant's present rates are insufficient, that a flat rate of \$2,000.00 per year is a just rate to be charged the Thermal Belt Water Company and the Limoneira Company with a rate to all other consumers of twenty cents per miner's day inch, such rates to become effective for the irrigating season of 1914.

*Hiatt & Selby*, for Applicant.

*Don G. Bowker*, for Theo. A. Kelsey and other users of water of the Farmers' Ditch.

*George E. Farrand, T. O. Toland and L. W. Andrews*, for Thermal Belt Water Company and Limoneira Company.

## REPORT OF THE COMMISSION.

ESHELMAN, *Commissioner*.

On June 18, 1913, Commissioner Edgerton presented his opinion in this case, which opinion was approved by the Commission, reopening the case with a view to determining for the purposes of this case the status of the 200 inches of water delivered to the so-called Olive Lands through the ditches of the applicant. At the subsequent hearing the attorneys for the Thermal Belt Water Company again brought to the attention of the Commission their views to the effect that the 200 inches of water sold to the Thermal Belt Water Company are not subject to the jurisdiction of this Commission in a rate fixing inquiry and introduced evidence on this point. Likewise evidence was introduced in accordance with the resubmission of the case tending to show the status of the 200 inches of water delivered upon the Olive Lands.

It is well to review all of the salient facts which tend to have a bearing upon the relationship which exists between the applicant here and the users of the 200 inches of water delivered to the stockholders of the Thermal Belt Water Company and the 200 inches of water delivered upon the Olive Lands.

The Santa Clara Water and Irrigating Company controls two separate and distinct systems for irrigation—one called the Farmers' Ditch and Irrigating Company, lying upon the north side of the Santa Clara River; and the other called the Santa Clara Water and Irrigating Company serving lands upon the south side of the Santa Clara River. Briefly the history of these properties is as follows:

In 1871, some seventeen settlers appropriated and diverted an amount of water, the quantity of which is in dispute, at a point about 13 miles above the present town of Santa Paula in the county of Ventura, for use upon the north side of the Santa Clara River. The ditch through which this water was diverted is now known as the Farmers' Ditch, and was formerly controlled by the Farmers' Ditch and Irrigating Company. About 1872, settlers on the south side of the river formed the Santa Clara Water and Irrigating Company and diverted water from the Santa Clara River at a point about 8 miles below the former diversion for use on the south side of the river. At the present time all of the property is owned by the applicant, the Santa Clara Water and Irrigating Company, but for the purposes of the present proceeding it is unnecessary to follow further the water on the south side of the river.

In the year 1896 the Farmers' Ditch was owned by one Addison Lisle, who caused to be incorporated the Keystone Mining, Manufacturing, Land and Power Company, which became the owner of this ditch; and this company leased the Farmers' Ditch to a man by the name of Nichols in 1896, who operated the ditch under lease for two or three years. Nichols claims that at this time he was only diverting through this ditch and delivering to consumers between 400 and 500 inches, which indicates that not nearly the 1,500 inches which is claimed to have been appropriated originally before 1879 was being put to beneficial uses up to 1896.

In 1898, a Mrs. Harrold, who together with her children, for whom she was guardian, was the owner of "Olive Lands," a tract of some 2,600 acres lying northwest of and above the terminus of the Farmers' Ditch, purchased all of the stock of the Keystone Mining, Manufacturing, Land and Power Company, thereby securing through stock ownership in this corporation control of the Farmers' Ditch.

On June 3, 1898, the Keystone Mining, Manufacturing, Land and Power Company entered into a contract with the Thermal Belt Land

Company for 200 inches of water. In that contract is the following recital:

"That, whereas, said Keystone Mining, Manufacturing, Land and Power Company has claimed and guaranteed, and does hereby claim and guarantee to said party of the second part, that it is the owner, in the possession and entitled to the possession of that certain water system and ditch known as the 'Farmers' Water Ditch,' commencing from and derived and taken out of the Santa Clara River at a point therein or thereon distant about one and one half miles east of the town of Santa Paula, and running and extending thence westerly upon and across lands, the fee of which is owned by Casner, Morgan and Barker, through and by means of dam, ditch and flume to the north bank of said Santa Clara River, and thence through and by means of ditches and flumes westerly through the south portion of the town of Santa Paula in said Ventura County, to and past the pumping plant of said party of the second part;

"And, whereas, said Keystone Mining, Manufacturing, Land and Power Company has claimed and asserted and does hereby claim and assert to said party of the second part that it is the owner of and has the right to divert and is now diverting out of and from said Santa Clara River at least fifteen hundred (1500) inches of the water thereof, measured under a four-inch pressure, by means of and through its said dams, flumes and ditches, and is distributing the same;

"And, whereas, said J. B. Harris, W. M. Ramsey and Robert Darling are a majority of the board of directors of said Keystone Mining, Manufacturing, Land and Power Company;

"Now, therefore, said parties of the first part, for and in consideration of the sum of one dollar, lawful money of the United States of America, to each of them in hand paid, the receipt whereof is hereby acknowledged, and in further consideration of the rents herein specified to be paid by said party of the second part, have granted, demised and let and by these presents do grant, demise and let unto said party of the second part, its successors and assigns, so much and such quantity of said waters which said Keystone Mining, Manufacturing, Land and Power Company claims to own and to have the right to divert from said Santa Clara River through and by means of said 'Farmers' Water Ditch,' as aforesaid, as will when diverted and conducted and carried through and by means of said dams, ditches and flumes of said 'Farmers' Water Ditch' water system, produce, yield and furnish a continuous flow of two hundred (200) miner's inches of said water, at the pumping plant of said party of the second part, which shall be the point or place of measurement of said water and for the diversion thereof by said party of the second part from said water system of said Keystone Mining, Manufacturing, Land and Power Company and into the water system of the party of the second part, the location of which said pumping plant or station is particularly described as follows, to wit:

"Situate on the north bank of said 'Farmers' Water Ditch' at a point or place distant seventy (70) feet more or less westerly from the west line of Barkla street, in said town of Santa Paula;

"Together with the right to have said water diverted from said river and conducted by means of and through the dams, works, ditches, flumes, and conduits constituting said water works of said Keystone Mining, Manufacturing, Land and Power Company, to and into said pumping plant of said party of the second part; together, also, with such use of said dams, ditches, flumes and other works of said water system of said Keystone Mining, Manufacturing, Land and Power Company as may be necessary for the diverting and conducting of said water, as aforesaid, from said Santa Clara River through said works to and into said pumping plant and water system of said party of the second part;

*"To have and to hold* the said water and the said rights and uses and the incidents and appurtenances thereof unto said party of the second part, its successors and assigns for and during the period of the irrigating seasons or years commencing with the date of these presents and ending with the first day of November, 1907, at and for the yearly rentals or sums of four hundred and seventy-five dollars (\$475) for the irrigation season or year ending November 1, 1898, and four hundred and fifty dollars (\$450) for each and every of the irrigation seasons or years commencing with the season or year which shall end on November 1, 1899, and ending with the irrigation season or year which shall end on the first day of November, 1907, which said annual rental or sum shall be due and payable from said party of the second part on the first day of November next succeeding the irrigation season or year for which rental shall have accrued.

"And said parties of the first part further covenant and agree to and with the said party of the second part, that they shall and will on or before the first day of April of each year during said term, by said dams, ditches and flumes or other adequate dams, ditches or flumes take out of or cause to be diverted and taken out of said Santa Clara River and conduct or cause to be conducted through said flumes and ditches to and into the said pumping plant of the party of the second part the said waters hereby granted, demised and let to the party of the second part, and that they will keep and maintain or cause to be kept and maintained said dams, ditches and flumes in such condition and repair during each and all of the irrigation seasons or years of said term so that the same shall divert, conduct and carry from said Santa Clara River ample water to produce, yield and furnish said two hundred (200) inches of water to and for said party of the second part at its said pumping plant and so that said Keystone Mining, Manufacturing, Land and Power Company shall be enabled to supply any and all demands of other parties, if any, for water from said system, whose demands may in any manner infringe or be in conflict with the rights of said party of the second part under these presents.

"And party of the second part covenants and agrees that in case parties of the first part do so divert and take out of said Santa Clara River and conduct to and into said pumping plant and there maintain at a constant flow the waters hereby granted, demised and let to it at all the times and in all respects as herein provided, that it, the said party of the second part, shall not and will not interfere with or participate in the diversion of and conducting of said water

to and into said pumping plant, nor with the management, construction, maintenance, care, or operation of said dams, ditches, flumes or other works of said 'Farmers' Water Ditch' water system.

"And it is further mutually covenanted and agreed that in case parties of the first part do not so divert and take out of said Santa Clara River and conduct to and into said pumping plant and there maintain at a constant flow the waters hereby granted, demised and let to the party of the second part at all times and in the manner and in all respects as herein provided, then party of the second part shall have the right and parties of the first part hereby grant to it the right at the cost and expense of said parties of the first part, by proper and adequate means, to divert out of said Santa Clara River and conduct to and into said pumping plant and there maintain at a constant flow (as herein provided) said water hereby granted, demised and let to party of the second part; and parties of the first part hereby agree to repay to and reimburse party of the second part for all moneys expended by it in performing said work.

"It is further covenanted and agreed that the party of the second part shall not and will not reject any waters so conveyed to it by the parties of the first part in compliance with their covenants herein contained because such waters may have been procured from the Santa Paula Creek or may be a mixture of waters procured by them from Santa Paula Creek with the waters of the Santa Clara River.

"The parties of the first part hereby grant to the party of the second part the right to, at any and all times during the continuance of the term hereby created, turn back into said 'Farmers' Water Ditch' water system, from its said pumping plant, so much of the water hereby granted, demised and let unto it (to the extent of the whole thereof) as it may desire; and parties of the first part hereby agree that they will at any and all times receive at and from said pumping plant, conduct away and take care of, and in all respects be responsible after all and singular the waters so turned back into said 'Farmers' Water Ditch' by said party of the second part;

"And it is further covenanted and agreed that parties of the first part shall take and may use all of the water so turned back into said 'Farmers' Water Ditch' by party of the second part at its said pumping plant.

"It is further covenanted and agreed that all water diverted hereunder from said 'Farmers' Water Ditch' by or for party of the second part shall be conducted to and into said pumping plant of said party of the second part.

"It is further covenanted and agreed that parties of the first part may, at all reasonable and seasonable times, when party of the second part is operating its pumping plant, have access to the indicator in said pumping plant of said party of the second part.

"And said parties of the first part do hereby covenant and agree to and with the party of the second part that they and each of them will establish and defend, at their own proper cost and expense, the title, possession and enjoyment of the waters, rights and privileges hereby granted, demised and let unto said party of

the second part against the claim or claims and infringements of all persons, associations and corporations whomsoever, and that for this purpose they will at their own proper cost and expense prosecute suits in a court or courts of competent jurisdiction against any and all persons, associations and corporations who shall divert or attempt to divert said waters of said Santa Clara River away from the restraining dams, ditches, flumes and works of said 'Farmers' Water Ditch' system or in any other manner interfere with the free and full use and enjoyment of the waters, rights and privileges hereby granted, demised and let unto party of the second part, and for the purposes aforesaid that said parties of the first part and each of them shall and will at all times at their own proper cost and expense furnish ample bonds or undertakings for the security, in all proper cases from the appropriate tribunal or court, injunction or injunctions for the restraining of all persons, associations or corporations, who may in any manner interfere with, or attempt to deprive said party of the second part of any of the waters, rights or privileges hereby granted, demised and let unto it, and that said parties of the first part will in all proper cases, at their own proper cost and expense, furnish and give all bonds or undertakings necessary or proper to be given to secure from any court, in which any suit may be pending, the purpose or effect of which shall be in any manner to interfere with or deprive said party of the second part, of the waters, rights and privileges hereby granted to it, the appropriate order or orders for the dissolution, modification or refusal of any injunction or injunctions."

This contract was to run for ten years, the consideration to be \$475.00 for the first year and \$450.00 for each succeeding year, with the provision that it could be rescinded by either party on one year's notice; and on November 1, 1902, the contract was terminated by notice from the Keystone Mining, Manufacturing, Land and Power Company. On June 23, 1902, the Thermal Belt Water Company leased 200 inches of water from Clarise H. Ramsey for one year, agreeing to deliver 75 inches to her for ninety days and pay 5 cents per inch for surplus. On September 1, 1903, the Thermal Belt Water Company entered into its present contract with the Farmers' Ditch Irrigating Company which, by its terms, is to extend until October 31, 1942, for the consideration of \$800.00 per year.

Mr. Teague, vice-president and general manager of the Thermal Belt Water Company, testifies that they made their first contract for water from the Farmers' Ditch with Mr. Nichols, and it is in evidence that the first payment of \$475.00, which was to be made for the first year's supply under the contract with the company which owned the ditch, was paid to Mr. Nichols.

After the securing of the 200 inches of water for the Thermal Belt Water Company an additional contract for 100 inches was entered into, the Thermal Belt Water Company to transfer said 100 inches to the end of its pipe line to be used by Mrs. Harrold (who subsequently

married one Ramsey and will hereafter be referred to as Mrs. Ramsey) on the Olive Lands: thus making at this time 200 inches under the so-called Nichols contract, as referred to by Mr. Teague, and 100 inches additional which went to the Olive Lands.

On the 8th day of March, 1899, the Keystone Mining, Manufacturing, Land and Power Company transferred all of its property for a consideration of \$5,000.00 to the Farmers' Ditch Irrigating Company. The property described in the conveyance is as follows:

"The Farmers' Water Ditch together with all and singular the water rights of every kind and nature belonging to said corporation wheresoever situated, and particularly the right to divert and use a portion of the waters of the Santa Clara River, in the county of Ventura, State of California, and the overflow and surplus of Santa Paula Creek in said county. And all ditches and laterals and all flumes and waterways and conduits and rights of way and privileges in any wise belonging to said Keystone Mining, Manufacturing, Land and Power Company and in any way appurtenant to said ditch or ditches and said water rights."

The purposes for which the Farmers' Ditch Irrigating Company was formed are set out in its articles of incorporation as follows:

"That the purposes for which it is formed are to purchase, hold, sell, lease, convey, use, mortgage, manage, control, operate and in every way deal with water, water rights, franchises, ditches, laterals, pipes, dams and conduits, water pumping plants and all other property, lands and rights of way incident or appurtenant thereto.

"To divert, take, convey, have, buy, sell, use, distribute, supply, lease, contract, pump and have pumped water for any and all beneficial uses and erect, construct and maintain water works of every kind and nature and water pumping plants.

"To make, accept, execute, deliver, assign and receive by assignment contracts, deeds, conveyances and leases of, for and concerning water, water rights, ditches, flumes, dams and conduits and their necessary and convenient incidents and appurtenances."

All but three shares of the stock of this company was held by Mrs. Ramsey.

On the 4th day of June, 1898, Clarise H. Harrold, afterwards Mrs. Ramsey, entered into an agreement with the Thermal Belt Water Company wherein it is recited that Mrs. Harrold has leased of the Keystone Mining, Manufacturing, Land and Power Company a continuous flow of 100 miner's inches of water during a term at least equal in duration to the term of the contract here referred to, which contract runs to the first day of November, 1907. And it is provided in such contract between Mrs. Harrold and the Thermal Belt Water Company that the latter company shall pump the 100 miner's inches of water from the Farmers' Ditch to the Olive Lands. It is provided that Mrs. Harrold shall deliver at the pumping plant of the Thermal Belt Water Company sufficient water to furnish the 100 inches and that the Thermal Belt

Water Company shall pump the same according to the terms of agreement, and shall receive 30 cents per miner's inch of water for 24 hours for each and every miner's inch of water which the Thermal Belt Water Company shall pump. It is further provided in this agreement, as follows:

"And it is mutually understood and agreed by and between the parties hereto in consideration of the premises that said party of the second part (Thermal Belt Water Company) shall have the right in fulfillment of its covenants herein, to pump and transmit or otherwise furnish and deliver to said party of the first part (Mrs. Harrold) said water derived and taken from the Santa Clara River or water derived or procured by said party of the second part from the Santa Paula Creek or other source; provided any or all other water furnished shall be of equally good quality for irrigating purposes as the waters of the Santa Clara River, and that the water from two or more sources may be mingled together and transmitted by the party of the second part through its said pipe line system and delivered to the party of the first part at the western terminus of its pipe line in fulfillment of this contract."

On the 23d day of June, 1902, a second contract was entered into between Clarise H. Ramsey and the Thermal Belt Water Company reciting that Clarise H. Ramsey had leased of the Farmers' Ditch Irrigating Company a continuous flow of 200 miner's inches of water. This contract was similar to the contract just referred to and constituted a pumping agreement between Mrs. Ramsey and the Thermal Belt Water Company.

On the 9th day of December, 1901, an agreement was entered into between Farmers' Ditch Irrigating Company and Clarise H. Ramsey, wherein it is agreed that the Farmers' Ditch Irrigating Company:

"Doth by these presents grant, demise and let unto the party of the second part (Clarise H. Ramsey), her heirs and assigns, a continuous flow of 200 miner's inches of water during the irrigating season of each year of the term of this contract of lease, delivered at any point designated by the said party of the second part on line of this company's main water ditch, as the same is at present constructed or as the same may hereafter be constructed during the term hereof.

"To have and to hold the same unto the said party of the second part, her heirs or assigns, for and during the period of the irrigating seasons of the years commencing with the date of these presents and ending with the 9th day of December, 1911, at and for the yearly rental and sum of two hundred (\$200.00) dollars, said rental payable annually on or before the 1st day of November of each year."

The water to be used on certain described lands, which it is understood were what is known as the Olive Lands. The company obligated itself to use all due diligence in keeping its system in repair and delivering the water to the pumping plant of the second party. The contract in



question is made and accepted by Mrs. Ramsey, subject to the contract between the Farmers' Ditch Irrigating Company and the Thermal Belt Water Company.

On the 3d day of December, 1913, Mrs. Ramsey sold and surrendered up to the Farmers' Ditch Irrigating Company the aforementioned lease.

On September 1, 1904, the Farmers' Ditch Irrigating Company entered into an agreement with Leopolda Schiappa Pietra, wherein there was conveyed to Schiappa Pietra all of the water ditches, water rights and property belonging to the Farmers' Ditch Irrigating Company, known and generally called Farmers' Ditch, and Farmers' Ditch water right and water rights:

“Being all of the water and water rights and claims to water and water rights of said party of the first part (Farmers' Ditch Irrigating Company) howsoever and whensoever acquired of, in and to the waters of the Santa Clara River and of its branches, sloughs and tributaries and of, in and to the waters of the Santa Paula Creek, its branches, sloughs and tributaries, and any and all right and rights of the party of the first part to divert water out of and from said streams and any and all right and rights of the party of the first part to use, own, sell, rent, distribute and otherwise dispose of, handle and enjoy said water and water rights, together with all and singular the head works, dams, ditches, lateral ditches, flumes and other conduits of every kind, character and description, and any and all works, easements, franchises, rights of way and privileges belonging to or in any wise incident, appendant or appurtenant to said ditch and water and water rights or used with or to divert, conduct or distribute said waters; the property hereinabove described including all and singular the property and rights conveyed to the party of the first part by the Keystone Mining, Manufacturing, Land and Power Company . . . and any and all other water, water rights, rights of way and easements which may have been acquired by the party of the first part since the date of the deed last aforesaid; excepting and reserving, subject to the terms, covenants and conditions herein contained, unto the party of the first part, its successors and assigns forever, out of and from the water and water rights and other property above described such a quantity of water of the waters of the Santa Clara River that when the same shall be diverted by means of the dams and head works herein mentioned and shall be conducted from said Santa Clara River by means of the water ditch, ditches, conduits and flumes herein mentioned to the pumping station situated in the northwest corner of subdivision 18 of the Rancho Santa Paula y Saticoy, and hereinafter more particularly described, it shall produce or measure 200 inches of water at said pumping station, and the right to divert said amount of water hereby excepted and reserved from said Santa Clara River; also excepting and reserving a right of way and easement in, along and through the water ditch and dams, head works, conduits, ditches and flumes and over and along the rights of way above described, to divert said quantity of excepted and reserved water from said Santa Clara River and to convey and conduct the same or any part thereof from said point

of diversion to said pumping station, together with a right of way and easement in said ditches, flumes and conduits herein mentioned for conveying whenever necessary the waste or surplus of and the waste or surplus incident to the handling of the water hereby excepted and reserved, from said pumping station to the place where the main ditch or conduit of the water system above described crosses or shall cross the place usually called the 'Wheeler Canyon' or 'Todd Baranca'; . . .

"The party of the first part does for itself, its successors and assigns, forever hereby covenant and agree to and with the party of the second part, his heirs and assigns forever, that the 200 inches of water herein excepted and reserved by and to the party of the first part and to its successors and assigns shall and may be used and sold, leased or rented for irrigation, domestic and stock purposes and for other lawful uses and purposes by the party of the first part, its successors and assigns, for use upon, but not elsewhere than upon the following lands."

Here follows a description of what are known as the Olive Lands and certain portions of the Limoneira Ranch. Then follow covenants to the effect that the grantee, Schiappa Pietra, shall maintain the system and deliver the water, and if such is not done the party of the first part, the grantor, may do so at the expense of the grantee.

It is further agreed that the existence of the contract between the Farmers' Ditch Irrigating Company and the Thermal Belt Water Company, of the 1st day of September, 1903, be recognized and that all rentals, rights and advantages secured to the party of the first part are granted, sold and assigned and transferred to the party of the second part. The party of the second part undertakes to perform the obligations of the party of the first part to the Thermal Belt Water Company. It is further agreed that the lease of the Farmers' Ditch Irrigating Company with Clarise H. Ramsey of December 9, 1901, expiring on the 9th day of December, 1911, shall continue to be held and the burdens and responsibilities thereof shall continue to be assumed and borne by the party of the first part. And the party of the first part covenants to save harmless Schiappa Pietra, the party of the second part, from any and all of the conditions and provisions contained in said lease. Apparently, the consideration given by Schiappa Pietra for the transfer was \$33,000.00, the obligations assumed by him being the continued delivery of the water and the payment of the \$33,000.00, and in return he received the rent of \$800.00 per year from the water sold to Thermal Belt Water Company and all the other water of the system.

On the 15th day of April, 1905, Schiappa Pietra conveyed all of the property theretofore acquired from the Farmers' Ditch Irrigating Company to the Santa Clara Water and Irrigating Company for the sum of \$33,995.00. The same reservation was made in this conveyance from Schiappa Pietra to the applicant herein as was made in the conveyance to Schiappa Pietra.

I have thus traced the contracts affecting the two supplies of water from the time they were in the control of Nichols down to 1905, when they went into the control of the applicant herein. The 200 inches of Thermal Belt water was delivered first by Nichols, then by the Keystone Mining, Manufacturing, Land and Power Company from June 3, 1898, to November 1, 1902; then by Clarise H. Ramsey from the water she held under her lease from the Keystone Mining, Manufacturing, Land and Power Company to September 1, 1903; and from September 1, 1903, to September 21, 1904, by the Farmers' Ditch Irrigating Company; and thereafter by Schiappa Pietra under the recognition of the contract of the Farmers' Ditch Irrigating Company in his agreement with that company of September 21, 1904, up to April 15, 1905; and thereafter, under the recognition of the agreement of the Farmers' Ditch Irrigating Company by the present applicant down to the present day.

The 200 inches for the Olive Lands were, according to the oral evidence, partly delivered from 1898 through the instrumentality of the Thermal Belt Water Company and its pumping system up to 1903, but in December, 1901, the written agreement was entered into between Farmers' Ditch Irrigating Company and Clarise H. Ramsey for the delivery of the 200 inches of water. After 1903, Mrs. Ramsey put in her own pumping plant and the water was delivered directly to her by the Farmers' Ditch Irrigating Company and pumped by her to her lands thereafter until the Schiappa Pietra agreement in 1904, when the reservation took place, and thereafter up to 1905 the water was delivered through the Farmers' Ditch under the control of Schiappa Pietra, and since April, 1905, the water has been similarly delivered through the ditches under the control of the applicant, Santa Clara Water and Irrigating Company.

Under these facts, which are adduced from the contracts themselves and not what is said concerning the contracts, what is the status, *first*, of the water secured from the applicant by the Thermal Belt Water Company; and, *second*, of the water received through the applicant's ditches for the use on Olive Lands?

After the former hearing Mr. Commissioner Edgerton held, and the Commission approved his decision, that the 200 inches of water delivered to the Thermal Belt Water Company was water received from a public utility and hence subject to the jurisdiction of this Commission. After a very careful study of the contracts and the evidence taken subsequent to the former hearing, I am confirmed in that view. Never at any time has there been any assertion by any one that this water is owned by the Thermal Belt Water Company. The fact that the Thermal Belt Water Company is a mutual company makes no difference. This mutual company secures the water as a consumer from a public service water company and pays therefor \$800.00 per annum, and has a contract for such

water up to 1942 at such rate. It is difficult for me to see how it can be urged that this company stands in any different position than John Doe or Richard Roe or any one else who receives a lesser quantity of water from this company, except that the Thermal Belt Water Company has a contract fixing its rate for a term of years. I believe that the contract fixing the rate for this water is neither binding nor is the limitation as to the length of time binding, and it is my view that the Thermal Belt Water Company has a permanent right to receive this water at the payment of the annual rates, and that no one has authority to deprive it of this water at the present time or at the expiration of its contract. The effect of a contract similar to this was discussed in the *Murray* case, 2 Cal. R. R. Dec. 464. By all of the recitals in the contracts, and by all of the acts of the parties up to the present time, it is made to appear that even the parties themselves considered this water in the control of the public service water company owning the Farmers' Ditch. But regardless of the contention of the contracting parties, the relationship here existing is a relationship imposed by operation of law and not of this contract.

Therefore, I am of the opinion that the water sold to the Thermal Belt Water Company and delivered to its pumping plant is water for which a rate may be fixed by this Commission if the conditions warrant.

*Second*, the 200 inches of water delivered to the Olive Lands. It is very strenuously contended by the attorneys for the Limoneira Company, which receives this water, that it was devoted to private use by a new appropriation made by the Ramseys in 1898. They reach this conclusion by assuming the position that because Mrs. Ramsey was the principal and almost the sole stockholder in the Keystone Mining, Manufacturing, Land and Power Company, which they call the "technical holder of the title," that the act of the corporation was her act. Of course, no such position is tenable. A corporation is an entity in itself, and one owning all of the stock of a corporation is no more the owner of the property of the corporation than is a person who is not a stockholder of such corporation. Nor does the fact that a stockholder owns all of the stock change this condition. But it appears clearly from the contracts herein reviewed, and from all the evidence in the case, that no one up to the time of the Schiappa Pietra reservation ever treated the water delivered to Olive Lands as anything but water in the control of and distributed by the Keystone Mining, Manufacturing, Land and Power Company, and subsequently the Farmers' Ditch Irrigating Company.

There is a hint in the argument that because appropriation was made through the Farmers' Ditch prior to 1879 that the water is not subject to regulation. This is not asserted strongly, however, but the position of the Limoneira Company, which now receives this water, directly

rebutts such an assumption, for in order to make this appear a private appropriation it must be made to appear that after the Ramseys secured control of the ditch through purchase of the stock of the Keystone Mining, Manufacturing, Land and Power Company, they enlarged the ditch and made a new appropriation, which it is urged was a private appropriation, for the benefit of the Olive Lands, and this appropriation upon which this claim is based was made somewhere around 1898, according to the contention of the company. It plainly appears, however, that up to 1898 a comparatively small quantity of water was passing through the ditch, and that none of this water was being delivered to Olive Lands. Therefore, the water delivered to Olive Lands must be considered as subject to the constitutional provision of 1879.

But there is nowhere any support for the contention appearing throughout the very able brief of the attorneys for this company that either the Keystone Mining, Manufacturing, Land and Power Company or the Farmers' Ditch Irrigating Company was the "technical holder of title" for Mrs. Ramsey or her successor, the Limoneira Company. On the 9th day of December, 1901, in the contract between Farmers' Ditch Irrigating Company and Mrs. Ramsey the assertion of ownership is made by the Farmers' Ditch Company, and it is agreed to deliver the water upon the Olive Lands for her use for \$200 per annum, and that lease was not surrendered up by Mrs. Ramsey until the 3d day of December, 1913; and at the time of the purchase of the ditch by Leopolda Schiappa Pietra this lease was in full force and effect. And, therefore, if anything has been done to make this water a private appropriation it was done by the arrangement between the Farmers' Ditch Irrigating Company and Leopolda Shiappa Pietra. In that instrument, heretofore referred to, all of the property of the Farmers' Ditch Irrigating Company, both acquired from the Keystone Mining, Manufacturing, Land and Power Company and all subsequently acquired, is conveyed to Schiappa Pietra.

"Excepting and reserving, subject to the terms, covenants and conditions herein contained, unto the party of the first part (Farmers' Ditch Irrigating Company), its successors and assigns forever, out of and from the water and water rights and other property above described such a quantity of water of the waters of the Santa Clara River that when the same shall be diverted by means of the dams and head works herein mentioned and shall be conducted from said Santa Clara River by means of the water ditch, ditches, conduits and flumes herein mentioned to the pumping station situated in the northwest corner of subdivision 18 of the Rancho Santa Paula y Saticoy, and hereinafter more particularly described, it shall produce or measure 200 inches of water at said pumping station, and the right to divert said amount of water hereby excepted and reserved from said Santa Clara River; also excepting and reserving a right of way and easement in, along and

through the water ditch and dams, head works, conduits, ditches and flumes and over and along the rights of way above described, to divert said quantity of excepted and reserved water from said Santa Clara River, and to convey and conduct the same or any part thereof from said point of diversion to said pumping station.”

Subsequently in the agreement it is provided that the 200 inches of water excepted and reserved by the Farmers’ Ditch Irrigating Company “shall and may be used and sold, leased or rented for irrigation, domestic and stock purposes and for other lawful uses and purposes by the party of the first part (Farmers’ Ditch Irrigation Company), its successors and assigns for use upon but not elsewhere than upon” the Olive Lands.

Schiappa Pietra by this conveyance presumably became a public utility, and certainly the Farmers’ Ditch Irrigating Company likewise remained a public utility, but merely with the power to deliver 200 inches of water upon certain described lands. By accepting these conditions, as, of course, would have to be done if they were valid in the first place, in the subsequent conveyance from Schiappa Pietra to the Santa Clara Water and Irrigating Company, and by substituting in the place of Schiappa Pietra the applicant herein, we have apparently two public utilities using the same facilities—the applicant delivering to all the other consumers except one, and the Farmers’ Ditch Irrigating Company delivering to that one alone; and then by securing the stock of the Farmers’ Ditch Irrigating Company, the Limoneira Company assumes to eliminate the public use because it has brought about a condition where a public utility has but one consumer and that consumer a land company which owns all of the stock of the public utility.

There can be no question that the attempted reservation comes squarely within the provisions of the *Leavitt* case. If the Thermal Belt Water Company could do likewise and all of the consumers but a very few follow suit, we would have a condition wherein these very few consumers would be required to maintain the ditches, attend to the diversion of the water, pay all of the expenses and perform the service for the other consumers at no cost to the latter.

In my opinion this reservation can not affect the public use of this water, but that a difficult legal complication is presented admits of no doubt. These conditions confront us: Farmers’ Ditch Irrigating Company is in control in 1904 of certain water appropriated and being distributed for public use within the county of Ventura. At that time it receives a payment of \$33,000.00, and in addition imposes a perpetual burden upon the system of delivering water to it free—a pretty good arrangement, one would think, particularly when the consideration went from and not to the utility accepting the burden. Of course the payment by Schiappa Pietra was his own affair, but the burdening of the

system with the necessity of delivering free water perpetually to this consumer is neither the affair of the parties to this contract nor the present owner, but of the public. The books of this company show that in the seven years prior to 1912 its receipts are only half of its expenditures, not considering any fixed charges. Plainly if this reservation is good the other consumers must pay more money or the Santa Clara Water and Irrigating Company ultimately go out of business, with the net result that whoever receives the business thereafter must proceed to raise the rates or in turn go out of business. When actual cost of operation is twice as heavy as the receipts no one can carry on the business. And the public service on the north side of the river, if not assisted from rates on the south side of the river, must permanently fail, unless the other consumers of water pay more than they should be required to pay. I realize that under ordinary circumstances the Santa Clara Water and Irrigating Company, applicant herein, should not be heard to complain of a condition which existed when it voluntarily assumed control of this property. But there are conditions when the repudiation of a contract is justified, and particularly is this the case with reference to contracts of public utilities working to the detriment of the consumers who are not parties thereto.

What became of the water leased to Mrs. Ramsey, the title to which was so assiduously traced by the parties hereto? It would appear that in the shuffle this water was lost sight of, and inasmuch as Mrs. Ramsey was not at all a party to the contract between Schiappa Pietra and the Farmers' Ditch Irrigating Company, it would further appear that she was not at all bound thereby. Nor could it be said that the 200 inches of water reserved by the two parties to this contract was the same water to which Mrs. Ramsey had a lease, and when it further appears that this lease was not cancelled until 1913, we must conclude that if a reservation was made at all it was made of water which the Farmers' Ditch Irrigating Company did not have, for the purchaser, Schiappa Pietra, assumes the obligation to continue the delivery of water to the Thermal Belt Water Company and of course by operation of law must continue to deliver water to the other patrons; and we are left a situation where with but 200 inches remaining rights are asserted in 400 inches, namely, the 200 inches leased to Mrs. Ramsey and the 200 inches sought to be reserved. Of course I am not losing sight of the fact that there was shuttlecocking back and forth between Mrs. Ramsey and Farmers' Ditch Irrigating Company, and apparently the parties hereto dealt with this corporate entity the same as though it were synonymous with Mrs. Ramsey, but as a matter of law of course it was not, and there was nothing as a matter of law which was the subject of the reservation here attempted to be made unless it can be presumed that some one else waived rights which they did not legally waive.

It is my opinion then that from a strict legal construction of these contracts the Farmers' Ditch Irrigating Company parted with everything it had to Schiappa Pietra, except perhaps the right of way to convey water which it did not possess. For it did not own the lease of Mrs. Ramsey and that lease remained in effect to 1913, and if these leases mean anything Mrs. Ramsey had a right to that amount of water and all of the other water was appropriated to other uses. Therefore the attempted reservation, from a strict construction of law, becomes abortive, and although the Farmers' Ditch and Irrigating Company would remain a public utility with the necessity of delivering water under this agreement to certain lands, if such necessity can be produced by such an agreement, yet it had no water legally left in its control with which to do as it had obligated itself to do.

It will be contended by the Limoneira Company that the provision in the conveyance to Schiappa Pietra wherein the Farmers' Ditch Irrigating Company covenants to protect Schiappa Pietra from any liability under the lease to Mrs. Ramsey, brings about an identity between the water attempted to be reserved to the Farmers' Ditch Irrigating Company and the water covered by the lease of Mrs. Ramsey. A little analysis, however, it seems to me, will show this position to be untenable. Schiappa Pietra had no water and he conveyed nothing, but, on the contrary, accepted by conveyance certain property. Therefore, he could confer no right upon the Farmers' Ditch Irrigating Company to any water because he had none, and whatever right, if any, was reserved to the Farmers' Ditch Irrigating Company was a right which it already had. The whole theory of the Limoneira Company is that it has water privately appropriated on the Olive Lands by reason of the ownership of this water by Mrs. Ramsey. Such being the case, if these leases to water mean anything, the net result of the arrangement with Schiappa Pietra in conjunction with the lease to Mrs. Ramsey is that Mrs. Ramsey owns 200 inches of water which she had theretofore owned. If, however, Mrs. Ramsey, as the contracts clearly show and as the recitals of herself and all the other parties in the contracts recognize, was a mere consumer from a public service water company—the Farmers' Ditch Irrigating Company—which company was the mere distributor of the water and she the user thereof under an annual rental, then no arrangement could disturb this relationship and change her status from a user of water appropriated to a public use to a private appropriator of water. Under every possible construction of the contracts and every tenable position of the parties hereto, Mrs. Ramsey would have lost the right to use this water on Olive Lands at the expiration of her lease unless by operation of law she would have a right to enforce a continuance of the supply at the expiration of her lease at lawful rates, and the burden of



continuing the delivery of this water after that time, if it must be delivered thereafter, would be upon the Farmers' Ditch Irrigating Company and its facilities, and the obligation of this user of water would be to pay a rate which would compensate the owner of these facilities for the service and cover the expense of the delivery. How then by the mere *ipse dixit* of the public utility, Farmers' Ditch Irrigating Company, the burden of payment and of maintaining the facilities necessary wherewith to make the delivery can be dispensed with on the part of Mrs. Ramsey, or the owner of the land to which the water is supplied, is beyond my power to comprehend. Furthermore, by the Schiappa Pietra conveyance itself it is provided that the Farmers' Ditch Irrigating Company may distribute this water for hire upon the Olive Lands. If there were any right at all derived through contract to the delivery of this particular 200 inches of water to the Olive Lands at the time of the conveyance to Schiappa Pietra, that right was the result of and derived from the lease to Mrs. Ramsey. If, on the other hand, the right to have the water delivered to Olive Lands was imposed by law and not by contract, then it was a right existent independent of the contract between Schiappa Pietra and Farmers' Ditch Irrigating Company. Either Mrs. Ramsey did or did not have the right to have this water delivered upon Olive Lands at the time of this conveyance. If she did, the conveyance could not affect her right. If she did not, the mere conveyance could not accord to her that right, nor in fact accord to the Farmers' Ditch Irrigating Company the right to put one drop of this water upon Olive Lands. If she did have the right and it was a right imposed by contract, the conveyance to Schiappa Pietra could not affect it. If she did have a right, and it was a right imposed by law growing out of the fact that water had theretofore been delivered to her land by a public utility with the attendant legal necessity to continue such delivery, that right carried with it the correlative duty as a patron of a public utility to pay a reasonable sum for the water and to maintain the facilities wherewith the water was delivered. If we take either horn of the dilemma we are driven to the conclusion that the attempted reservation neither added to nor subtracted from whatever right then existed to have water delivered upon Olive Lands.

Much has been said in the brief filed on behalf of the Limoneira Company and the Thermal Belt Water Company about the devotion of water to public use and the failure in this instance of this company so to devote the water being received by these two companies. I am afraid the very able attorneys for these companies fail to see the necessary result of their argument. Neither the Thermal Belt lands nor the Olive Lands are riparian to the Santa Clara River, and admittedly do not receive any water by reason of riparian ownership. The only alterna-

tive method of securing a supply of water is by appropriation either to a public use by a public service company or to a private use upon lands owned by the appropriator. The history of this ditch and this water shows that it has always, up to the Schiappa Pietra conveyance, been delivered to the public under the flow of the ditch and the pumping station of these two companies for hire, and in every instance for a defined term of years, at the expiration of which term, if the contract alone confers the right, the right would terminate. Accepting this theory, no permanent right existed, up to the Schiappa Pietra conveyance, to any of this water upon any land. How, otherwise, then, could a right by appropriation be acquired upon any of this land? None of it was owned by the agency delivering the water; such agency was admittedly a public utility and the successor to its facilities is before this Commission now in that capacity. The only permanent right, therefore, which could be secured to this water, under all the circumstances of this case, is the right which results from the delivery of water by a public service water company to certain lands and the legal inability thereafter of such public service water company to discontinue such a delivery. I am of the opinion that this water can not be withdrawn either from the Thermal Belt Water Company or from the Olive Lands, but that this result follows from the devotion of the water to public use and its application by the agency in control of such public use to these specified lands. In other words, the permanency of a right to water is just as much assured to the user of water from a public utility water company as it is to a private appropriator of water upon his own land, and the only difference is that the appropriation through the instrumentality of a public utility water company carries with it the attendant duty on the part of the user to pay the rate, which rate shall pay for the cost of delivery and interest upon the investment. In a private appropriation the user of the water must make these expenditures directly. In other words it is impossible for any one to get water either through a public or private appropriation except by paying the expense of getting it upon the land, which expense is an annual expense covered by the annual rates paid to a public utility or the annual expenditure made by the private appropriator of water in order to insure the continuance of his supply. In the present case we find an attempt on the part of the Limoneira Company to relieve itself of paying for all time this charge which is necessary under any kind of appropriation which can be made. But in order to accomplish this result it advances the novel plea that the taking from this ditch at almost the end of the system of the applicant is the same as taking directly from the Santa Clara River. If the Limoneira Company had owned riparian lands and had secured the water by reason of ownership of riparian

lands, or if it itself had made an appropriation upon the Olive Lands instead of taking water from a ditch which furnishes an entire community, then I could quite readily agree with the contention of counsel that the devotion to the public use must clearly appear. But where we have a situation that the only way the water could be secured to the use of these lands originally was by a devotion to public use and by occupying the relationship of consumer from a public service water company, it readily appears that it does not lie in the mouth of the owner of Olive Lands to urge that there was not a devotion to public use, because admittedly originally this corporation never did own the water.

The only way, as said by Mr. Justice Henshaw in the case of *Leavitt vs. Lassen Irrigation Company*, in the clearest and ablest opinion on the question of the relationship between a public service water company and its consumers that, in my opinion, has ever been rendered by our Supreme Court, the Olive Lands could have acquired a private water right is on the theory that the appropriator of water "made an appropriation of waters for the public use of sale, rental, and distribution under the constitution of 1879; that by means of the same canal and ditches he made a private appropriation of waters for use upon his individual land, and that when he came to sell his irrigating system he withheld from the sale the waters so privately appropriated." But, as I have pointed out carefully from the contracts and as the evidence abundantly discloses, no such thing was ever done, and at no time was there any assertion by any one that these waters were appropriated by any agency excepting the Keystone Mining, Manufacturing, Land and Power Company and the Farmers' Ditch Irrigating Company; and never, up to the time of the Schiappa Pietra conveyance, was there the remotest indication that any one considered that these waters were appropriated by any one except the corporation controlling the same. In contemplation of this state of facts the following language from the *Leavitt* decision is particularly appropriate:

"Treating Leavitt's appropriation as being wholly and entirely for public use he, the owner of the system, was but an instrumentality for the distribution of the waters which he gathered to such members of the public as might apply for them and pay to him the legal charge for the service that he rendered. As the agent of such public use, he had no power whatsoever to reserve to himself for his private purposes any part of this water. If he could reserve a part, he could reserve all, and thus, by his *ipse dixit*, convert a public use into private ownership, or, if he could reserve a part for himself, *he could with equal authority give away parts of the supply to others*" (as is here sought to be done) "and by this method destroy what the constitution itself has declared shall forever remain a public use."

I have tried to point out in detail just why the public is interested in this attempted reservation, and when I come to analyze the conditions of this company this will the more readily appear. It is sufficient to say, however, that those in control of water devoted, as this water is, to public use may not be permitted to withdraw a portion of such water and apply it to their private uses and burden the system wherewith the water is appropriated with the necessity of delivering this water free to them, and with the corresponding necessity that the other consumers in the end must pay a proportionately higher amount for the maintenance of and earning upon the system than they should be required to pay. For it certainly follows that in the end all of the expense of performing a service must be paid for by someone, else the service will not be performed; and if the Limoneira Ranch may be relieved from the necessity of paying its pro rata of the expense of this system then ultimately the other consumers must assume its burden or the system will not be operated.

In 1904, Mrs. Ramsey sold the Olive Lands to the Limoneira Company, and that company also purchased the stock of the Farmers' Ditch Irrigating Company. In 1905, the property acquired by Leopolda Schiappa Pietra under the conveyance which has been discussed herein at length, was transferred in toto to the Santa Clara Water and Irrigating Company, which is the applicant herein. At this time the capital stock of the Santa Clara Water and Irrigating Company was increased to \$250,000.00. In February, 1906, \$100,000.00 of 6 per cent gold bonds were issued. In 1907 the applicant constructed what is known as the Springville division, which consisted of about five miles of 36-inch concrete pipe line. Its cost is stated to have been \$79,373.47. The purpose of the construction of this Springville division was to open up and develop lands in what is known locally as the Springville section; but, for some reason not disclosed in the evidence, this project was never completed. It was testified that only about 400 acres were irrigated under this division, of which 300 acres belong to the heirs of Schiappa Pietra and could have been irrigated if the pipe line had not been built, thus leaving only about 100 acres properly served by this division itself.

As previously indicated, the Farmers' Ditch diverts water about 1½ miles above Santa Paula. This diversion is effected by means of temporary brush dams placed in the wide sandy bed of the stream, and which are swept out by the floods and renewed as occasion requires. The length of the canal is approximately six miles. It is a simple earthen structure with certain timber flumes and other facilities. In applicant's Exhibit "A" a statement is made of what is called investment in this division, which is arrived at by taking the cost of this division to the

company as sold to it by Schiappa Pietra in 1905 at \$33,995.00, which is the price paid to Schiappa Pietra, to which has been added so-called improvements and other items including deficiencies, which bring this investment to \$70,058.28.

As previously stated, the Santa Clara Water and Irrigating Company's system diverts water on the south side of the river about eight miles below the point of diversion of the Farmers' Ditch system. This division also diverts water from the Santa Clara River through a temporary brush dam which has to be replaced each time following large floods. The company claims that Messrs. Lippincott and Storrow valued this division in 1902 and found the value to be \$81,800.00. This is given in applicant's Exhibit "B." On page 60 of the transcript, however, the statement is made by a representative of the company to the effect that the approximate value of this division is \$60,000.00. Starting with the valuation, as given in Exhibit "B," of \$81,800.00 in 1902, the company arrives at a so-called investment of \$269,390.19 as of January 1, 1912. This investment includes the cost of investment of the Springville division, which according to its statement amounted to \$79,373.47. We, therefore, have as a so-called investment, under the applicant's statement of the case, the following:

Farmers' division -----	\$70.058 26
Santa Clara and Springville divisions-----	269.390 19
Total investment -----	\$339.448 45

Taking into consideration the deduction already called attention to in the transcript, we would have a total investment of \$309,312.15. In applicant's Exhibit "B," it is stated that of the total investment of January 1, 1912, \$26,405.89 was due to deficiencies.

The data presented by the company is in such shape that it is utterly impossible to say whether the so-called investment in these properties is legitimate. The burden being upon the applicant in a case such as this to justify its increase in rates, we could dismiss the matter for failure of proof on the part of the applicant. However, it is my desire, if possible, because of the financial condition of this company and the length of time during which this case has been pending, to give some relief if it is possible under the evidence. In the brief presented by Mr. Don G. Bowker, attorney for the consumers, he states that subsequent to the hearing he had an engineer estimate the reproduction cost of the property of the Farmers' division. This was found by the engineer to be \$20,322.05. This, of course, is not a matter of evidence, but inasmuch as under a strict construction of the evidence this case can be dismissed, I deem it not inappropriate to refer to this statement.

The company presents a statement showing the annual cost of the operation and maintenance of the different divisions, and also its annual receipts. These are tabulated for the years 1905 to 1911, as follows:

**Annual Cost of Operation and Maintenance and Annual Receipts.**

Year	Farmers' division		Santa Clara and Springville division		Total	
	Cost maintenance and operation	Receipts	Cost maintenance and operation	Receipts	Cost maintenance and operation	Receipts
1905 -----	\$2,265 75	\$1,204 05	\$2,126 13	\$5,067 18	\$6,391 88	\$6,271 23
1906 -----	2,275 49	1,816 06	6,055 29	6,870 16	8,330 78	8,686 22
1907 -----	2,176 48	1,297 50	4,844 43	5,196 56	7,020 91	6,494 06
1908 -----	5,775 83	1,655 56	4,789 08	8,513 16	10,564 91	10,168 72
1909 -----	2,187 35	1,128 23	6,737 08	6,979 07	8,924 43	8,107 30
1910 -----	2,907 75	2,737 73	6,101 72	9,444 16	9,009 29	12,181 89
1911 -----	4,683 54	1,668 18	7,396 39	6,606 21	12,079 93	8,274 39
Totals -----	\$22,272 19	\$11,507 31	\$38,050 12	\$48,676 50	\$62,322 13	\$60,183 81

From this statement, accepting it as correct, it will appear that the cost of maintenance and operation alone, without any consideration of earning upon the investment, of the Farmers' division, which is affected by the Thermal Belt contract and the reservation to the Limoneira Company, is, in these seven years, just a little less than double the receipts therefrom, and that in these years there was lost more than \$10,000.00 to the company in the operation of this division. Inasmuch as the two divisions of the company are on opposite sides of the river, it should be easy to apportion the expense, and, of course, the revenue may be directly apportioned. On the other hand, the Santa Clara and Springville divisions show a net earning during these seven years of a little more than \$10,000.00. Taking the two systems combined, an operating loss of a little over \$2,000.00 is shown for these years.

The testimony shows that from the gross receipts, as indicated, there has been rebated to the Schiappa Pietra heirs certain sums annually. This was done because of the fact that on November 10, 1871, 100 acres of land, designated by lot number and now the property of the Pietra heirs, was granted free water in exchange for certain rights of way. As these heirs own large tracts of land irrigated under the system, it has been customary to collect from them the total charge for water furnished and then rebate later in accordance with the pro rated volumes. As a consequence, the gross water receipts as shown above are not the net receipts by the amount of such rebates. The amount of rebate for the years covered in the above table appears to have been \$5,160.69, which would make the net receipts \$55,023.12.

The rates from which the above receipts are derived vary with the class of the crop and the time of the year water is used, but are either

10 or 20 cents per miner's day inch. The table shows much variation in the annual returns. This is due to the fact that with the classes of crop irrigated but little water is required in some years, and this amount will to a certain extent vary with the rainfall. It is, of course, understood that the above receipts include the \$800.00 per annum paid by the Thermal Belt Water Company. So far as can be learned the acreage irrigated has been practically constant during the past few years.

The application of the company requests that a uniform rate of 25 cents per day inch be granted by the Commission. If this rate were granted and a charge was made to the Thermal Belt Water Company at this rate for the amount of water actually used and also for the 200 inches free water to the Limoneira Company, the following receipts would be returned, such receipts being based on the average use of water from 1905 to 1911, inclusive. The amount used by the Limoneira Company is not given definitely, but it is stated that approximately 1,200 acres of land are irrigated and it is assumed that the duty of water is 1.50 acre feet. The volume used is approximated in this assumption:

Farmers' system, 7,235 day inches at 25 cents-----	\$1,809 00
Santa Clara division, 46,242 day inches at 25 cents-----	11,560 00
200 inches to Limoneira Company for use on 1,200 acres at 1.50 acre feet duty, 45,000 inches at 25 cents-----	11,250 00
Thermal Belt Water Company, 9,300 day inches at 25 cents-----	2,324 00
Total -----	<u>\$26,943 00</u>

The average cost of maintenance and operation of the entire system, as stated by the company, is \$8,903.00. Consequently, if the rate asked for were allowed and applied to all its users, there would remain a surplus of \$18,040.00 after paying operating and maintenance charges. The operation and maintenance charges reported by the company appear to include the cost for certain replacements and renewals, and consequently depreciation is to a certain extent covered in these charges. If it be considered, as is undoubtedly true, that the depreciation of the more perishable structures, and consequently the larger portion of the entire depreciation item, is covered in the maintenance and operation charges reported, it is probable that the balance of the annual depreciation charge will not exceed 2 per cent upon any value which may be placed upon the property.

If it be assumed that the interest which should be received upon the value of the property be 6 per cent, this, with the remaining depreciation, would make 8 per cent all told. The annual surplus of \$18,040.00 which would result from the application of the 25-cent rate would support a value of \$225,500.00 at this per cent.

As I have already stated, this company has not maintained the burden of showing the value of its property and the application might be dis-

missed on that ground. It is the opinion of the engineers of this Commission, from a superficial inspection, that the property is not nearly of the value urged by the company under its investment theory. While not pretending to be an authoritative statement, but certainly worthy of as much weight as the evidence presented by the company on this point, the engineers of the Commission give it as their opinion that the property is not worth in excess of \$100,000.00. As I have said several times, I do not pretend to suggest that either this statement or that of Mr. Bowker is evidence, and they would not be considered in an attack upon the rates of this company, but the company, having itself elected to apply to this Commission for an increase in rates, has upon it the burden of establishing the value of its property and it has not done so. However, it has established that it is getting nothing on its investment, and not even on the average making operating expenses, and rates should be imposed which will at least go as far as to relieve the evident necessities of this company. It is my opinion that a uniform rate should apply to all of the smaller consumers, and that a rate should be fixed somewhat less for the wholesale consumers per unit used because of the fact that larger quantities are used and the water is taken directly from the main ditch of the company by the pumping station of these two large users.

I recommend that for the present a uniform rate of 20 cents per miner's day inch be applied to all of the consumers other than the Thermal Belt Water Company and the Limoneira Company, and that a flat rate of \$2,000.00 per year be for the time being imposed upon each of these companies, until in a subsequent application, if it desires, this company shall present to the Commission all of the facts which are necessary in order for this matter to be finally concluded.

I recommend no order with reference to the water delivered to the Schiappa Pietra heirs because there is not sufficient in the evidence upon which to base an order, but in a subsequent proceeding this also should be considered.

The attorneys for the Thermal Belt Water Company and the Limoneira Company have strenuously objected to this Commission making any inquiry concerning them at all and the water used by these companies, on the ground that this Commission has no jurisdiction to act and that by proceeding to act we are in effect passing upon our own jurisdiction. Of course, this Commission is aware of the fact that its determination of its own jurisdiction is not conclusive, and while even under these circumstances it is my opinion that the Commission would be empowered to find the facts and the Supreme Court pass upon these facts as found, still, as is customary in all cases where it is sought to review the decision of this Commission, we will assist in presenting all



of the evidence to the higher court which was presented to this Commission in this inquiry. As a matter of fact, however, no finding has or should be made with reference to the status of any of the consumers from this company other than a direction to this company to collect rates from all of the consumers who, in the opinion of this Commission, should be required to pay rates, because if we do not do so we will be sanctioning what to my mind appears to be a very gross discrimination, and this Commission has the power and is required by law to see that discriminations are not practiced.

I submit the following order:

**ORDER.**

Santa Clara Water and Irrigating Company having applied to this Commission for an order authorizing an increase in rates, and a hearing having been held and being fully apprised in the premises, the Commission hereby finds as a fact that the rates now charged by the applicant herein are not sufficient rates to be charged; and the Commission further finds as a fact that a rate of at least 20 cents per miner's day inch is a just and reasonable rate and not an exorbitant rate to be charged to all consumers other than the Thermal Belt Water Company and the Limoneira Company for use upon the so-called Olive Lands described herein; and the Commission further finds as a fact that a flat rate of \$2,000.00 per year is a rate not too high to be charged to the Thermal Belt Water Company and the Limoneira Company, and that such rate is not exorbitant for the service performed by these companies, and basing this order on the foregoing findings of fact,

*It is hereby ordered* that the following rates be and they are established to be charged by the applicant herein:

Two thousand dollars (\$2,000.00) per annum to the Thermal Belt Water Company to be paid May 1st of each and every year.

Two thousand dollars (\$2,000.00) per annum to the Limoneira Company for water delivered to that company other than the water received by it through the Thermal Belt Water Company, to be paid May 1st of each and every year.

To all other consumers twenty (20) cents per miner's day inch, payable in the manner and in accordance with the rules now in force with reference to the present rates collected from such consumers.

The rates herein prescribed and established to apply for the irrigation season of 1914, and thereafter until further order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of April, 1914.

## DECISION No. 1453.

CHARLES W. PAINE ET AL.

vs.

SOUTHERN CALIFORNIA GAS COMPANY.

Case No. 585.

*Decided April 25, 1914.*

## REPORT OF THE COMMISSION.

## ORDER OF DISMISSAL.

Charles W. Paine et al. having on April 23, 1914, made written request to this Commission that the complaint in the above entitled proceeding be dismissed,

*It is hereby ordered* that the complaint in the above entitled proceeding be, and the same hereby is, dismissed without prejudice.

Dated at San Francisco, California, this 25th day of April, 1914.

## DECISION No. 1454.

IN THE MATTER OF THE APPLICATION OF SUNNYVALE  
WATER COMPANY FOR AN ORDER AUTHORIZING SALE  
OF ITS SYSTEM TO THE TOWN OF SUNNYVALE.

Application No. 1064.

*Decided April 25, 1914.*

Application of the Sunnyvale Water Company to sell its water distributing system located in the town of Sunnyvale to said town for the sum of \$16,039.67, granted.

*C. C. Spalding*, president Sunnyvale Water Company.

*J. D. Brant*, president board of trustees of the town of Sunnyvale and ex officio mayor.

*H. R. Fuller, D. J. Williams, Louis Larson, and F. E. Devert*, trustees of the town of Sunnyvale.

*N. D. Wretmen*, counsel for board of trustees of the town of Sunnyvale.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application of the Sunnyvale Water Company, of Sunnyvale, Santa Clara County, California, to transfer all of the assets of said company to the town of Sunnyvale for the consideration of

\$16,039.67, this being the original cost or book value of said water plant or system.

The testimony showed that the first small unit of this system was installed about seven years ago and that various other units had been installed at different times since; that the system had been kept in good repair by the expenditure of such sums as were necessary for the upkeep, the exact amount of such expenditures not being available.

The mayor and the trustees were questioned closely by the Commission as to why they were willing to pay original cost for this system without any allowance for depreciation, and all were unanimous in testifying that they did not believe there had been any marked depreciation, and that they considered the system worth all that the town was paying for it, and that it was of decided advantage to the town to obtain the Sunnyvale Water Company's plant or system as the nucleus of a municipal system about to be installed by the town of Sunnyvale, bonds having been voted for that purpose, sold at something above par, and the money being now in the bank to proceed with the installation of a municipal plant.

In support of the present value of the plant, as compared with the price which the town of Sunnyvale is paying for it, Colonel John C. Hendy, president and manager of the Joshua Hendy Machine Works, which are located at Sunnyvale, testified that, as to the later units installed by the Sunnyvale Water Company, his company purchased the pipe for the Sunnyvale Water Company and transferred it to that company absolutely at cost, which was far below what any water company of that character could purchase it for. He testified that it was the best type of standard screw double dipped asphalt gas pipe, and that he believed the life of such pipe should easily be forty to fifty years, and that the difference in the cost of the pipe bought through his company and what the water company would have had to pay for it would easily offset the depreciation.

Mr. C. L. Stowell, a resident of Sunnyvale, testified that if the town of Sunnyvale would give up the idea of installing a municipal plant and give him a franchise, he would pay \$20,000.00 for the Sunnyvale Water Company's plant or system.

A protest having been received by the Commission from a resident of Sunnyvale, stating that a member of the board of trustees was also a stockholder in the water company, the Commission inquired carefully into that, and the testimony showed that, while Colonel H. R. Fuller, one of the trustees, is a stockholder in the water company, he had declined to vote when the proposition came up of purchasing the water plant or system.

Several residents and property owners of Sunnyvale testified that it was to the interest of the town of Sunnyvale and the residents thereof

to have this transfer of the Sunnyvale Water Company's property to the town of Sunnyvale approved; the party who filed the protest was notified of the hearing by the Commission and requested to be present, but did not appear.

The testimony further showed that the water for Sunnyvale had heretofore been and is at present being purchased from a well owned by the Joshua Hendy Machine Works, but that the town of Sunnyvale has advertised to purchase an acre of land upon which it proposes to sink its own wells, and had sold bonds sufficient to purchase the plant of the Sunnyvale Water Company and complete the municipal plant by the purchase of the land and the sinking of the wells.

The Commission approves with some hesitation the action of the board of trustees in purchasing this plant at book value, as the conviction is forced upon it that there must necessarily be some depreciation. But, in view of all of the facts of the case, as recited above, and in view of the apparent honesty of intention on the part of the board of trustees to protect the interests of the town of Sunnyvale, I shall recommend that the application be granted.

The town of Sunnyvale has recently voted itself within the jurisdiction of the Railroad Commission of the State of California.

I find as a fact that it will be to the interests of the people of Sunnyvale to grant the application and permit the Sunnyvale Water Company to sell its water plant or system to the town of Sunnyvale.

I recommend the following order:

**ORDER.**

The Sunnyvale Water Company, of Sunnyvale, Santa Clara County, California, having applied for permission to sell and transfer its water plant or system to the town of Sunnyvale for the sum of \$16,039.67; and it appearing, for reasons recited in the opinion which precedes this order, that the interests of the people of Sunnyvale will best be served by permitting this transfer,

*It is hereby ordered* that the Sunnyvale Water Company, of Sunnyvale, California, be and it is hereby granted permission to sell and transfer its water plant or system to the town of Sunnyvale, for the consideration of \$16,039.67.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 25th day of April, 1914.

## DECISION No. 1455.

IN THE MATTER OF THE APPLICATION OF LAWNSDALE LAND AND WATER COMPANY TO PURCHASE THE WATER SYSTEM OF LAWNSDALE WATER COMPANY; TO ISSUE STOCK; TO MORTGAGE ITS PROPERTY; TO ISSUE BONDS; AND TO CHANGE ITS RATES FROM A FLAT BASIS TO A METER BASIS; AND OF LAWNSDALE WATER COMPANY TO SELL ITS WATER SYSTEM.

---

Applications Nos. 270-426.

*Decided April 25, 1914.*

---

## REPORT OF THE COMMISSION.

## SECOND SUPPLEMENTAL ORDER.

LOVELAND, *Commissioner.*

This Commission having on May 9, 1913, issued its order in the above entitled matter authorizing the Lawnsdale Land and Water Company to issue bonds in the sum of \$25,000.00 and to sell the same at not less than 90 per cent of the par value thereof; and application having now been made for authority to pay an additional 5 per cent commission;

*It is hereby ordered* that Lawnsdale Land and Water Company be given authority, and it is hereby given authority, to sell its 6 per cent bonds heretofore authorized by this Commission at 85 per cent of the par value thereof plus accrued interest. The authority herein given shall apply to such bonds as shall have been issued on or before December 31, 1914.

This order is subject to all of the conditions named in the order of this Commission on May 9, 1913, in the above entitled matter, in so far as the same are not in conflict with the order herein.

The foregoing second supplemental order is hereby approved and ordered filed as the second supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 25th day of April, 1914.

## DECISION No. 1456.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA AND OREGON TELEGRAPH COMPANY TO SELL ITS PLANT TO NEVADA, CALIFORNIA AND OREGON TELEGRAPH AND TELEPHONE COMPANY AND OF THE LATTER COMPANY TO ISSUE BONDS OF THE FACE VALUE OF TWENTY-FIVE THOUSAND TWO HUNDRED NINETY-NINE AND SEVENTY-NINE ONE-HUNDREDTHS DOLLARS.

Application No. 837.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA NORTHERN TELEPHONE AND TELEGRAPH COMPANY TO SELL ITS PLANT TO NEVADA, CALIFORNIA AND OREGON TELEGRAPH AND TELEPHONE COMPANY AND OF THE LATTER COMPANY TO ISSUE BONDS OF THE FACE VALUE OF SIXTY-SEVEN THOUSAND TWO HUNDRED NINETY-NINE AND SIXTY ONE-HUNDREDTHS DOLLARS.

Application No. 876.

*Decided April 25, 1914.*

REPORT OF THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

GORDON, *Commissioner*.

This Commission having issued its order on February 7, 1914, authorizing Nevada, California and Oregon Telegraph and Telephone Company to issue \$55,000.00 of its first mortgage 6 per cent forty-year bonds; and said order having been conditioned upon the approval by this Commission under a supplemental order of such resolutions by stockholders and directors of Nevada, California and Oregon Telegraph and Telephone Company as might be necessary to make the proposed transfer of property and the issue of bonds legal and binding; and Nevada, California and Oregon Telegraph and Telephone Company having filed such resolutions,

*It is hereby ordered* that the same be and they are hereby approved in so far as they constitute proper authority for Nevada, California and Oregon Telegraph and Telephone Company to issue bonds and to acquire the property of the California and Oregon Telegraph Company, and also the property of the California Northern Telephone and Telegraph Company.

The foregoing first supplemental order is hereby approved and ordered filed as the first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 25th day of April, 1914.

---

DECISION No. 1457.

IN THE MATTER OF THE APPLICATION OF MARIN COUNTY ELECTRIC RAILWAYS FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION AND OPERATION OF A STREET RAILWAY SYSTEM IN MILL VALLEY AND FOR AUTHORITY TO ISSUE STOCKS AND BONDS.

---

Application No. 947.

*Decided April 25, 1914.*

---

Application of the Marin County Electric Railways, applying for an amendment to the original order in this application, so as to permit it to sell certain of its stock to cover certain preliminary expenditures, denied.

Applicant authorized to issue to W. W. Hicks \$2,500.00 face value of stock in lieu of a like amount of cash authorized for expenditures incurred on behalf of applicant, provided that said stock shall not be delivered until applicant's proposed line of railway shall have been completed.

REPORT OF THE COMMISSION.

THIRD SUPPLEMENTAL OPINION.

LOVELAND, *Commissioner.*

On March 26, 1914, this Commission issued an order in the above entitled matter and on April 7, 1914, issued a supplemental order thereon. By the terms of these orders, Marin County Electric Railways was given authority to operate a street railway line in Mill Valley and was given further authority to sell \$67,000.00 of stock under certain conditions for the purpose of obtaining funds to construct its railway line.

Among the purposes for which it was directed that stock might be sold were the following:

State incorporation fee .....	\$76 25
Cost of franchise .....	240 95
Printing stock certificates, etc. ....	100 00
Total .....	<u>\$417 20</u>

It was provided, further, as a part of section 7 of the order of March 26, 1914, in the matter herein, that the sum of \$2,500.00 to be derived from the sale of stock might be paid in cash to Mr. W. Wesley Hicks to reimburse him for expenditures made on behalf of the company.

Said order of March 26, 1914, provided also that construction work should not begin upon the railway until the applicant should have collected from stock subscriptions the sum of \$35,000.00 and should have received a supplemental order from this Commission authorizing it to begin construction work.

Section (9) of the order of March 26th provided: "Pending the sale of said \$35,000.00 of stock, no expenditure and no obligation shall be incurred chargeable to Marin County Electric Railways."

Application is now made on behalf of Marin County Electric Railways for authority as follows:

(1) To issue four shares of its capital stock at par as payment for the incorporation fee, cost of franchises and printing of stock certificates, etc., as noted above, in the sum of \$417.20.

(2) To issue to Mr. W. Wesley Hicks twenty-five shares of its capital stock as full payment in lieu of the sum of \$2,500.00 which was to have been paid in cash for expenditures on behalf of the applicant.

(3) To incur additional expenditures in the sum of \$25.00 per week for a solicitor to obtain stock subscriptions in Mill Valley for a period of three months, and to employ a stenographer at \$12.00 per week.

Applicant's first request to issue four shares of its capital stock at par value to cover the expenditures in the sum of \$417.20, I believe, should be denied at this time. These preliminary expenses should be met by the promoters of this project who, of course, would be entitled to reimbursement under the terms of the Commission's order if they succeed in their enterprise, when they meet the conditions imposed in that order.

The second request, that the applicant be authorized to issue twenty-five shares to Mr. Hicks in lieu of the \$2,500.00 proposed to be paid to him in cash, should be granted, but only on the condition that this stock shall be delivered to Mr. Hicks after the street railway system shall have been entirely completed, including the Throckmorton Avenue branch and the so-called High School branch.

The request of the applicant that it be allowed to employ a solicitor and a stenographer would be in accordance with this Commission's original order in this matter only in the event that the financial responsibility therefor were assumed by some agency other than the applicant. The order provides that, pending the sale of \$35,000.00 of stock, no expenditure and no obligation shall be incurred chargeable to Marin County Electric Railways.

This condition was fixed in the order for the purpose of imposing upon the projectors of this enterprise the responsibility for its successful organization.

This Commission has heretofore found that the promoter of a public utility enterprise is entitled to liberal reward for his service. If the



promoter is entitled to his profit, he must be willing to bear his responsibility. The promoter can not escape the rule that there is no profit without risk. He can not play safe for himself and transfer the risk to the future stockholders. He must be at least willing to back his faith to the meager measure of underwriting the organization of the corporation he creates.

The order in this case required that \$35,000.00 in stock should be sold before construction work should begin. It was originally proposed to use a portion of the funds received from the sale of this stock to pay the salesmen and others employed in the selling campaign. If the applicant did not succeed in selling the amount of stock required, those persons who may have been induced to purchase shares would have suffered the heaviest loss. This risk should not rest with the prospective purchasers of stock. It belongs to the promoters. It may often happen that a promoter risks nothing, and if the stock sale is unsuccessful, the financial loss falls solely upon those whom his efforts have persuaded to invest. It is proper that the expense of preliminary organization and of stock selling should be borne at the beginning by the promoter. If his enterprise fails, it is his loss. If he succeeds, he is then entitled to reimbursement either in stock or in cash from the company's funds. For that reason, I believe all of the expense incident to the stock selling campaign should at this time rest upon the promoters of this enterprise. If they fail to comply with the requirements of the Commission's order, theirs will be the loss; if they succeed, they will be entitled to reimbursement in the form of stock, as set out in the Commission's order.

The order provided that \$3,000.00 in stock should be issued to Mr. W. Wesley Hicks in addition to \$2,500.00 payable in cash. The authorization of an issue of \$3,000.00 in stock to Mr. Hicks for promotion services was based upon the belief that a certain portion of that stock was to be compensation for the sale of the Marin County Electric Railways' securities.

I, therefore, recommend that the third feature of this application, to expend the applicant's moneys for a stock solicitor and stenographer to be employed in a stock selling campaign, be denied.

I, therefore, submit the following form of order:

**ORDER.**

Marin County Electric Railways having applied to this Commission for a modification of its order upon Application No. 947 of March 26, 1914, so as to permit applicant:

- (1) To issue four shares of its capital stock at par as payment for preliminary incorporation expenses in the amount of \$417.20;
- (2) To issue to Mr. W. Wesley Hicks twenty-five shares of its capital stock as full payment in lieu of the \$2,500.00 which was to have been paid in cash for expenditures on behalf of the applicant;

(3) To incur additional expenditures in the sum of \$25.00 per week for a solicitor to obtain stock subscriptions in Mill Valley for a period of three months and to employ a stenographer at \$12.00 per week;

*It is hereby ordered* that the application of Marin County Electric Railways to issue four shares of its capital stock at par as payment for preliminary incorporation expenses, etc., in the sum of \$417.20, be denied at this time without prejudice to the right of applicant to re-apply, as stated in the foregoing third supplemental opinion.

*It is further ordered* that the application of Marin County Electric Railways to issue to Mr. W. Wesley Hicks twenty-five shares of its capital stock as full payment in lieu of the sum of \$2,500.00 which was to have been paid in cash for expenditures on behalf of the applicant, be granted, on the condition that this stock shall be delivered to Mr. Hicks upon a supplemental order from this Commission after the street railway system shall have been entirely completed, including the Throckmorton Avenue branch and the so-called High School branch.

*It is further ordered* that the application of Marin County Electric Railways to incur additional expenditures in the sum of \$25.00 per week for a solicitor to obtain stock subscriptions and to employ a stenographer at \$12.00 per week, be denied for the reasons set forth in the preceding third supplemental opinion.

The foregoing third supplemental opinion and order are hereby approved and ordered filed as the third supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 25th day of April, 1914.

---

DECISION No. 1458.

KERN COUNTY MERCHANTS' ASSOCIATION

*vs.*

CALIFORNIA NATURAL GAS COMPANY.

Case No. 357.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION  
INTO THE RATES OF THE BAKERSFIELD GAS AND  
ELECTRIC COMPANY.

---

Case No. 556.

*Decided April 25, 1914.*

---

Complaint of the Kern County Merchants' Association alleges that the present whole-sale rates of the California Natural Gas Company for gas delivered at the city limits of Bakersfield are unjust and unreasonable and petitions the Commission to establish reasonable rates for such service.

After thorough investigation into all the circumstances surrounding the delivery of natural gas at the city limits of Bakersfield:

*Held*, That the present rates are unreasonable, that a rate of 12.75 cents per 1,000 cubic feet on a four-ounce basis, is a just rate for natural gas for distribution in Bakersfield and vicinity; that a rate of 7 cents per 1,000 cubic feet, on a four-ounce basis, is a just rate for excess gas, over and above all demands for other purposes, for delivery to large consumers for fuel purposes, which rates are ordered into effect within twenty days.

In justification of the lower rate accorded for industrial purposes, *Held*, if this rate was increased, thereby compelling the consumer to use other than gas for fuel purposes, and no other consumers could be found for such excess supply, the deficiency caused by the elimination of this revenue must necessarily be made up by other consumers.

After complete investigation upon the Commission's own initiative into the rates and charges of the Bakersfield Gas and Electric Company:

*Held*, That the present rates of defendant are unjust and unreasonable; just and reasonable rates to be charged by said company for service in Bakersfield and vicinity prescribed, which include a rate of 70 cents per 1,000 for the first 3,000 cubic feet, 50 cents per 1,000 for next 7,000, 35 cents per 1,000 for next 90,000, and 25 cents per 1,000 for next 100,000, with a minimum monthly bill of 85 cents per meter together with a rate of 8.25 cents per 1,000 cubic feet for excess gas, above the total demand, delivered to the steam plant of the San Joaquin Light and Power Company, which rates are ordered into effect within twenty days.

*E. J. Emmons and W. E. Simpson*, for Kern County Merchants' Association.

*Pillsbury, Madison & Sutro*, for California Natural Gas Company.

*Short & Sutherland*, for Bakersfield Gas and Electric Company, and San Joaquin Light and Power Corporation.

*Rollin Laird and W. B. Beasley*, for City of Bakersfield.

#### REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

On September 19, 1913, the Kern County Merchants' Association of Bakersfield filed with this Commission its complaint against the California Natural Gas Company, the San Joaquin Light and Power Corporation and the Bakersfield Gas and Electric Company, which complaint alleges, in effect, that the wholesale rates charged by the California Natural Gas Company for natural gas supplied and sold by it to the San Joaquin Light and Power Corporation for distribution and sale in the city of Bakersfield are unjust and unreasonable. The complaint further alleges that under the terms of a certain contract between the California Natural Gas Company and the San Joaquin Light and Power Corporation, the Bakersfield Gas and Electric Company, a subsidiary company of the San Joaquin Light and Power Corporation, can not distribute natural gas at reasonable rates to the inhabitants of the city of Bakersfield. Complaint is also made that adequate gas pressure is not supplied by the California Natural Gas Company and that failure to so maintain sufficient pressure operates to the detriment of the local consumers in

Bakersfield. It is alleged that a reasonable rate to be charged by the California Natural Gas Company for natural gas delivered to the San Joaquin Light and Power Corporation at Bakersfield is 10 cents per 1,000 cubic feet on a 4-ounce basis and this Commission is asked to grant such relief as may be just and reasonable.

On October 7, 1913, defendant San Joaquin Light and Power Corporation answered the complaint of the Kern County Merchants' Association interposing denials to the material allegations of the complaint and setting up the fact that through inadvertence the Bakersfield Gas and Electric Company was not made a party to the contract mentioned in the complaint as having been entered into between the California Natural Gas Company and the San Joaquin Light and Power Corporation, but that the Bakersfield Gas and Electric Company has assumed and is performing the obligations of the San Joaquin Light and Power Corporation under said contract.

Defendant California Natural Gas Company in its answer filed on October 9, 1913, denies all the substantial allegations of the complaints and avers that the rates set forth in its contract with the San Joaquin Light and Power Corporation are just and reasonable, and the pressure under which gas is supplied to the Bakersfield Gas and Electric Company is adequate and proper.

The first hearing in this proceeding was held at Bakersfield on January 15, 1914. Subsequently, on February 27, 1914, at an election duly held the city of Bakersfield voted to surrender its control over public utilities to this Commission and on March 2, 1914, the Commission on its own initiative instituted an investigation into the rates charged by the Bakersfield Gas and Electric Company for natural gas distributed and sold at Bakersfield. On March 17, 1914, the Commission's investigation into the rates of the Bakersfield Gas and Electric Company and Case No. 357, arising out of the complaint of the Kern County Merchants' Association were combined and heard together.

It appears from the evidence that the California Natural Gas Company is engaged in the business of distributing and selling natural gas for domestic, gas engine and fuel purposes in the Midway Oil Field, and certain other portions of Kern County, and that to insure an adequate supply of natural gas the California Natural Gas Company has entered into contracts with the Standard Oil Company and the Honolulu Consolidated Oil Company as follows:

**Standard Oil Company Contract:** This contract was entered into between the Standard Oil Company and the California Natural Gas Company on January 23, 1913, to continue for a period of five years from October 1, 1912.

The contract provides that the California Natural Gas Company shall take the gas from the wells owned or controlled by the Standard Oil

Company at the mouth of each well and at the pressure of the gas flow from the well; provision is, however, made for control and regulation of pressure by the California Natural Gas Company. The California Natural Gas Company agrees to maintain its lines in such manner as to minimize waste and escape of gas and so far as practicable to meter all gas sold. Where meter measurements are impracticable, the amount of gas is to be estimated monthly as accurately as possible, and such estimates reported to the Standard Oil Company. The price set forth in the contract is 5 cents per 1,000 cubic feet for gas delivered at the mouth of the wells based on a 4-ounce pressure, provided that a readjustment of said price may be had at the end of any year at the instance of either party to the contract by reason of any one or more of the following events:

(a) In case it becomes necessary for the Standard Oil Company to build a compressor station and compress the gas; (b) In case the California Natural Gas Company is required to build additional pipe lines to care for its business; (c) In case the Standard Oil Company undertakes to drill additional gas wells or acquires additional gas lands or rights for the purpose of supplying the California Natural Gas Company. If the parties to the contract can not agree as to any readjustment of the price to be paid to the Standard Oil Company for gas the matter is to be settled by arbitration. The Standard Oil Company is not obligated to drill additional gas wells and reserves the right at any time to change any gas well into an oil well.

The contract between the Standard Oil Company and the California Natural Gas Company is not entirely clear and appears somewhat contradictory as to whether or not it was the intention of the contracting parties that the Standard Oil Company should stand the losses incidental to the transmission and delivery of the gas by the California Natural Gas Company; but inasmuch as the payments heretofore made by the California Natural Gas Company for gas received from the Standard Oil Company having been on the basis of the actual gas delivered to consumers of the former, we may assume that this is the interpretation placed on the contract by the parties thereto, and for the purpose of this proceeding I will assume that the basis is reasonable.

At the hearing held at Bakersfield on March 17, 1914, it was stipulated that the price of 5 cents per 1,000 cubic feet set forth in the contract between the Standard Oil Company and the California Natural Gas Company would be considered a reasonable purchase price in the field for natural gas.

**Honolulu Consolidated Oil Company Contract:** This contract provides that the Honolulu Consolidated Oil Company shall sell to and deliver into the pipe lines of the California Natural Gas Company natural gas

at a price of 5 cents per 1,000 cubic feet on the basis of 5 pounds above 14.4 pounds atmospheric pressure. It is agreed that the gas shall be delivered to the California Natural Gas Company at a pressure equal to the line pressure maintained on that company's pipe lines and that the maximum line pressure will be 300 pounds per square inch. The California Natural Gas Company is to take from the Honolulu Consolidated Oil Company an amount of gas equal to one third ( $\frac{1}{3}$ ) of that sold by the California Natural Gas Company in the Midway Field, disregarding the gas used by both the Standard Oil Company and the Honolulu Consolidated Oil Company. The Honolulu Consolidated Oil Company agrees not to sell gas for use in the Midway Field to any other person or corporation than the California Natural Gas Company without giving that company thirty (30) days' option to purchase such gas at the price mentioned in this contract. If gas is offered for sale by the Honolulu Consolidated Oil Company to any other person or corporation than the California Natural Gas Company then the California Natural Gas Company shall have a prior option and right to purchase all such gas at the proposed rate. The Honolulu Consolidated Oil Company may terminate the contract after thirty (30) days' notice in the event of failure of its gas supply. This contract was entered into on September 12, 1911, and runs for three (3) years.

The principal feature of the contract between the Honolulu Consolidated Oil Company and the California Natural Gas Company is that the price of 5 cents per 1,000 cubic feet, mentioned in the contract, is based on a pressure of 19.4 pounds absolute which corresponds to a price of approximately 3.776 cents per 1,000 cubic feet pressure of 4 ounces; this latter being the basis upon which gas is sold to the California Natural Gas Company by the Standard Oil Company.

The general office of the California Natural Gas Company is located at Taft, as are also the general warehouse and other structures.

The pipe line system of this company consists of approximately 127 miles of wrought iron mains, ranging in size from 10 inches in diameter to 2 inches in diameter through which the gas is distributed directly to various consumers in the field in addition to supplying local distributing companies in Bakersfield, Taft, Maricopa and Fellows.

The gas is received from sixteen wells owned by the Standard Oil Company on sections 22, 26 and 36, township 31 south, range 23 east, and from three wells owned by the Standard Oil Company on section 16, and several wells owned by the Honolulu Consolidated Oil Company on section 4, township 31 south, range 23 east. Over 4,800,000,000

cubic feet of gas was sold by the California Natural Gas Company during the year 1913 as follows:

Table I.

	Cubic feet
Bakersfield .....	395,747,000
Taft .....	54,865,000
Maricopa .....	21,748,000
Fellows .....	6,704,000
Miscellaneous domestic consumers .....	25,559,000
Gas engine service .....	83,569,000
Boiler fuel and miscellaneous flat rate .....	4,214,545,000
<b>Total gas sold .....</b>	<b>4,802,737,000</b>

The total investment of the California Natural Gas Company on January 1, 1914, as shown by the books of the company, was as follows:

Table II.

Description	Total investment to Dec. 31, 1913	Depreciation deducted	Balance January 1, 1914
Well equipment .....	\$16,407 52	\$1,148 51	\$15,259 01
Pipe lines .....	321,339 69	22,493 80	298,845 89
Measuring station (Bakersfield) .....	4,430 75	310 15	4,120 60
Telephone lines .....	2,579 51	180 57	2,398 94
General structures, etc. ....	5,605 38	392 37	5,213 01
General and miscellaneous equipment .....	11,052 43	773 68	10,278 75
Two automobiles (loss) .....	4,156 70	4,156 70	-----
<b>Totals .....</b>	<b>\$365,571 98</b>	<b>\$29,455 78</b>	<b>\$336,116 20</b>
Materials and supplies .....	8,891 27	-----	8,891 27
	<b>\$374,463 25</b>	<b>\$29,455 78</b>	<b>\$345,007 47</b>

This investment statement has been carefully checked by Mr. F. Emerson Hoar and Mr. A. R. Kelly, the Commission's experts, and I have no hesitancy in accepting the figure of \$345,007.47 as representing a fair valuation of the entire properties of the California Natural Gas Company for the purpose of this case.

The earnings and expenses of the California Natural Gas Company for the year 1913 are shown by Mr. Hoar's report to be as follows:

Table III.

<b>Earnings:</b>	
Bakersfield, average rate per 1,000 cubic feet 17.54 cents .....	\$69,424 86
Taft, average rate per 1,000 cubic feet, 20 cents .....	10,956 04
Maricopa, average rate per 1,000 cubic feet, 20 cents .....	4,350 25
Fellows, average rate per 1,000 cubic feet, 44.49 cents .....	2,982 91
Miscellaneous domestic consumers, average rate per 1,000 cubic feet, 54.49 cents .....	13,928 46
Gas engine service, average rate per 1,000 cubic feet, 18.27 cents .....	15,224 50
Boiler fuel and miscellaneous flat rate, average rate per 1,000 cubic feet, 7 cents .....	295,018 44
<b>Total gas sales .....</b>	<b>\$411,885 46</b>

<i>Brought forward</i> .....	\$411,885 46
Miscellaneous .....	5,306 51
<b>Total operating revenue</b> .....	<b>\$417,281 97</b>
<b>Expenses:</b>	
Gas purchase expense .....	\$229,419 90
Operating expense .....	27,373 93
Taxes .....	22,473 63
Depreciation .....	29,455 76
<b>Total operating expense</b> .....	<b>308,723 22</b>
<b>Net operating revenue</b> .....	<b>\$108,558 75</b>

The rates now charged fuel consumers and distributing companies by the California Natural Gas Company are as follows:

**Table IV.**

**Domestic service:** 60 cents per 1,000 cubic feet.

Discount 10 cents per 1,000 cubic feet if paid on or before the tenth day of the month following that in which the gas is used.

**Gas engine service:**

50 cents per 1,000 cubic feet for the first 75,000 cubic feet per month.

45 cents per 1,000 cubic feet for the second 75,000 cubic feet per month.

40 cents per 1,000 cubic feet for the third 75,000 cubic feet per month.

30 cents per 1,000 cubic feet for the next 275,000 cubic feet per month.

20 cents per 1,000 cubic feet for all over 500,000 cubic feet per month.

Discount 5 cents per 1,000 cubic feet if paid on or before the tenth day of the month following that in which the gas is used.

**Boiler fuel service:**

Meter rate: 7 cents per 1,000 cubic feet. No discount.

Flat rates:

Rotary tools and forge, \$7.00 per day.

Cable tools and forge, \$4.00 per day.

Pumping wells, \$1.75 per day.

**Contract rates to distributing companies:**

**Bakersfield:** A contract with the San Joaquin Light and Power Corporation for natural gas to be distributed in the city of Bakersfield was entered into on April 11, 1911, effective as of January 1, 1911, to continue for a period of twelve years and provides as follows:

Where the purchaser shall charge its customers within the territory aforesaid, for natural gas for domestic purposes, a price per one thousand cubic feet not less than forty (40¢) cents and not more than fifty (50¢) cents, the purchaser will pay to the seller the sum of twenty (20¢) cents per thousand cubic feet for all of the natural gas delivered by the seller to the purchaser at said point of delivery hereinbefore mentioned, calculated on a basis of four ounces of pressure to the square inch.

Where said charge of said purchaser to any of its customers for natural gas for domestic purposes exceeds the price of fifty (50¢) cents per one thousand cubic feet, the purchaser will pay to the seller for all of the natural gas delivered by the seller to the purchaser at the above



said point of delivery, the said sum of twenty (20¢) cents per one thousand cubic feet of said natural gas, calculated upon a basis of four ounces of pressure to the square inch, and in addition thereto, a sum per one thousand cubic feet of natural gas so delivered, equivalent to twenty (20%) per cent of the excess of the said rate of the purchaser to its customers, over fifty (50¢) cents per one thousand cubic feet up to seventy-four (74¢) cents per one thousand cubic feet, and additionally a sum per one thousand cubic feet equivalent to twenty-five (25%) per cent of the excess of the said rate of said purchaser over seventy-four (74¢) cents per one thousand cubic feet.

In case it is agreed between the parties hereto that it is desirable to sell natural gas to consumers in the territory aforesaid for domestic purposes at a price less than forty (40¢) cents per one thousand cubic feet, and accordingly a rate less than said forty (40¢) cents shall be charged by the purchaser to said consumers, then the purchaser will pay to the seller for all natural gas delivered by the seller to the purchaser at the point of delivery aforesaid, an amount per one thousand cubic feet, calculated on a basis of four ounces of pressure to the square inch at said point of delivery, equal to one half of the price per one thousand cubic feet charged by said purchaser to its said consumers; provided, however, that where natural gas so sold and delivered by the seller to the purchaser hereunder, shall thereafter be disposed of by the latter to its consumers for industrial purposes, the price to be paid by the purchaser for the amount of said gas so disposed of for industrial purposes shall, in lieu of the rates and prices hereinabove provided, be a sum per one thousand cubic feet equal to one half of the charge per one thousand cubic feet made by the purchaser to its said consumers of said gas for industrial purposes, which charge, however, shall be not less than twenty-five (25¢) cents per one thousand cubic feet nor more than forty (40¢) cents per one thousand cubic feet, except by and upon a mutual written agreement of the parties hereto.

If the purchaser shall fix what is known as a "minimum rate" which shall be charged to its consumers regardless of actual consumption of natural gas at the rate per thousand cubic feet, such "minimum rate" will not be considered as the basis of any determination of the price to be paid by the purchaser to the seller for gas sold and delivered hereunder.

Service was first supplied under this contract on December 29, 1911.

Taft and Maricopa: On December 9, 1911, the California Natural Gas Company entered into a contract with Joseph McDonald and John McDonald whereby natural gas was to be supplied by it at the city limits of both Taft and Maricopa at 25 cents per 1,000 cubic feet on a four-ounce basis. A discount of 5 cents per 1,000 cubic feet is provided for if the bill for gas is supplied by the California Natural Gas

Company is paid before the fifteenth day of the month following that in which the gas is used. Gas was first supplied under this contract on December 1, 1911, in Maricopa, and on January 26, 1912, in Taft.

Fellows: A third contract was entered into early in 1911 between the California Natural Gas Company and Joseph McDonald whereby the latter was obligated to construct a distribution system in the town of Fellows, and the California Natural Gas Company was to supply natural gas for consumers of McDonald in Fellows at a point about one quarter of a mile east of the town. The contract provides that McDonald is to sell gas for domestic purposes at 60 cents per 1,000 cubic feet and that the California Natural Gas Company is to receive 50 per cent of the actual gross receipts from such service. If gas is sold by McDonald for less than 60 cents per 1,000 cubic feet for industrial purposes then McDonald is to pay the California Natural Gas Company for such gas at the rate of 60 per cent of the actual gross receipts from the sale of such gas.

The average prices received by the California Natural Gas Company per one thousand cubic feet, on a four-ounce basis, for gas sold during 1913 were as follows:

Table V.

	Per thousand cubic feet
Domestic consumers .....	54.49 cents
Gas engine consumers.....	18.27 cents
Boiler fuel consumers.....	7.00 cents
Bakersfield .....	17.54 cents
Taft and Maricopa.....	20.00 cents
Fellows .....	44.49 cents
Average for all gas sold.....	8.68 cents

Inasmuch as the question at issue in this case, in so far as it involves the defendant California Natural Gas Company, is confined to what is a fair rate to be charged by that company for gas delivered at the city limits of the city of Bakersfield, I will not attempt to go into the matter of investment and rates charged in the field further than to point out that grave economic problems are involved in the consideration of the whole subject which must sooner or later come before this Commission. While directing attention to the fact that the question of conservation of natural resources is intricately associated with the issues involved in natural gas investigations which this Commission is making from time to time, the further fact is also worthy of consideration that the substitution of natural gas for fuel oil in the Midway Field alone conserved over 680,000 barrels of petroleum and approximately 2,013,000 barrels valued at not less than \$604,000.00 during the past three years. The apparent discrimination in rates charged by the

defendant California Natural Gas Company to the various field and wholesale consumers, while not a point at issue in this case, is worthy of consideration.

In arriving at an equitable rate to be charged by the California Natural Gas Company for natural gas delivered at Bakersfield it has been found convenient to segregate the jointly used capital and operating expenses and fixed charges applicable to such service. The segregation thus made by the company to the "Bakersfield System" including service to several field consumers in addition to the local distributing company at Bakersfield as of October 31, 1914, was as follows:

Table VI.

Investment (as of October 31, 1913) :

Well equipment .....	\$4,752 52
Pipe lines .....	154,470 18
Telephone line .....	2,579 51
Measuring station (Bakersfield) .....	4,853 71
General structures (prorated) .....	2,615 10
General and miscellaneous equipment (prorated) .....	11,584 44
<b>Total .....</b>	<b>\$180,855 46</b>

Table VII.

Operating expenses (full year 1913) :

Expenses of operation (prorated) .....	\$13,686 96
Gas purchased .....	34,648 70
Taxes (prorated) .....	11,236 81
<b>Total .....</b>	<b>\$59,572 47</b>
Depreciation at 7 per cent .....	12,341 74
<b>Total .....</b>	<b>\$71,914 21</b>

Table VIII.

		Thousand cubic feet
Operating revenues (full year 1913):	Amount of Gas sold Bakers- field Gas and Electric Co...	395,747
Bakersfield Gas and Elec- tric Co. ....	Rio Bravo .....	199,504
Rio Bravo .....	Kern County Land Co.....	17,143
Kern County Land Co.....	Western Water Co.....	67,152
Western Water Co.....	Miller & Lux.....	13,428
Miller & Lux.....	<b>Total .....</b>	<b>692,974</b>
<b>Total .....</b>	<b>\$95,972 99</b>	

From the above it will be evident that the average price received by the California Natural Gas Company from consumers in the Bakersfield District during 1913, was about 13.73 cents per thousand cubic feet. Bakersfield Gas and Electric Company paying approximately 17.54 cents, Western Water Company about 15.4 cents and the three other consumers 7 cents per thousand cubic feet.

In prorating general capital to the Bakersfield District the California Natural Gas Company appears not to have used any uniform basis but to have made merely arbitrary segregation. In prorating operating expense and taxes, approximately 50 per cent was segregated to the Bakersfield District, notwithstanding the fact that only about 14 per cent of all gas sold was consumed in territory supplied by these lines. No attempt was made by the company to make any segregation to the Bakersfield service alone as distinguished from service to the Bakersfield District.

After careful investigation Mr. Hoar has arrived at the following segregation of capital to the Bakersfield District:

Table IX.

Property	Total investment to Dec. 31, 1913	Depreciation (Company's statement)	Depreciated value as of Jan., 1914
Well equipment, etc.....	\$4,759 19	\$333 14	\$4,426 05
Pipe lines .....	156,267 92	10,938 76	145,329 16
Measuring station .....	4,430 75	310 15	4,120 60
Telephone line .....	2,579 51	180 57	2,398 94
General structures (prorated).....	1,914 24	133 99	1,780 25
General and miscellaneous equipment (prorated) .....	6,810 77	264 21	6,546 56
<b>Totals .....</b>	<b>\$176,762 38</b>	<b>\$12,160 82</b>	<b>\$164,601 56</b>

The values shown by the books of the company have not been questioned, but Mr. Hoar has prorated general capital on a basis obtained by combining the ratios of field investment and gas sales in the Bakersfield Division to the entire field investment and gas sales of the company. Under Mr. Hoar's theory approximately 34.15 per cent of general capital is segregated to the Bakersfield Division as compared with about 48 per cent prorated by the company. The present value of properties in the Bakersfield Division has been taken as being equal to the depreciated value shown in statements furnished by the California Natural Gas Company and Mr. Hoar, on the assumption that the remaining life of the gas field will be at least ten years, has provided for retiring the entire investment, less salvage, at the end of that period as shown in the following table:

Table X.

Property	Depreciated value as of Jan. 1, 1914	Salvage value	Net depreciable value	Depreciation annuity
Well equipment, etc.....	\$4,426 05	\$884 84	\$3,541 21	\$281 54
Pipe lines .....	145,329 16	18,234 97	127,094 19	10,104 57
Measuring station .....	4,120 60	2,060 30	2,060 30	163 80
Telephone line .....	2,398 94	579 79	1,819 15	144 63
General structures (prorated).....	1,780 25	691 94	1,088 31	86 53
General and miscellaneous equipment (prorated).....	6,546 56	212 45	3,297 75	262 19
<b>Totals .....</b>	<b>\$164,601 56</b>	<b>\$22,664 29</b>	<b>\$139,900 91</b>	<b>\$11,043 26</b>

In prorating to Bakersfield service the capital and depreciation annuity already segregated as shown in Table X to the Bakersfield Division, Mr. Hoar has charged the entire value of Line "B" from Rio Bravo to Bakersfield and the Measuring Station at Bakersfield to the Bakersfield service and has prorated the jointly used capital on the basis of the proportion of gas delivered at Bakersfield to all gas sold in the division. The result of this segregation is as follows:

Table XI.

Property	Basis No. 1		Basis No. 2	
	Depreciated value as of Jan. 1, 1914	Depreciation annuity	Depreciated value as of Jan. 1, 1914	Depreciation annuity
Well equipment, etc.....	\$2,727 65	\$160 78	\$1,960 00	\$124 68
Pipe lines .....	95,625 31	6,674 30	80,763 23	5,648 60
Measuring station .....	4,120 60	93 54	4,120 60	93 54
Telephone line .....	1,370 00	82 60	1,062 33	64 05
General structures .....	1,016 67	49 41	754 42	36 67
General and miscellaneous equipment .....	3,738 64	149 73	2,774 27	111 11
Totals .....	\$108,396 87	\$7,210 36	\$91,434 85	\$6,078 65

Basis No. 1, in above table, represents the segregation to Bakersfield service resulting from prorating jointly used capital on the basis of gas sold during the year 1913. Basis No. 2 represents the segregation resulting from prorating jointly used capital on the basis of 1913 sales, less gas sold to the steam plant of the San Joaquin Light and Power Corporation at Bakersfield, the theory in the latter case being that, if the gas sold for boiler fuel purposes had to carry its full proportion of the cost of service, the selling price would be so high that there would be no economy resulting from the use of natural gas as compared with the present price of fuel oil.

The average cost of natural gas delivered at Bakersfield under the two bases shown in Table XI and with operating expenses prorated in the same manner as has been used for the purpose of segregating capital would be as follows:

Table XII.

	Basis No. 1		Basis No. 2	
	8 per cent interest	9 per cent interest	8 per cent interest	9 per cent interest
Fixed charges:				
Interest .....	\$5,671 91	\$9,755 90	\$7,314 79	\$8,229 14
Depreciation annuity .....	7,210 36	7,210 36	6,078 65	6,078 65
Totals .....	\$15,882 27	\$16,966 26	\$13,393 44	\$14,307 79
Operating expense:				
Gas purchased .....	\$19,787 35	\$19,787 35	\$11,811 76	\$11,811 76
Expense of operation (prorated) .....	5,338 61	5,338 61	3,961 53	3,961 53
Taxes .....	1,977 33	2,029 60	1,406 36	1,450 45
Totals .....	\$27,103 29	\$27,155 56	\$17,179 65	\$17,223 74
Total cost .....	\$42,985 56	\$44,121 82	\$30,573 09	\$31,531 53
Average cost per 1,000 cubic feet....	10.8618¢	11.1489¢	12.9417¢	13.3474¢

At the hearing and during the presentation of Mr. Hoar's report the defendant, California Natural Gas Company, entered strenuous objection to being deprived of its fuel gas sales to the San Joaquin Light and Power Corporation's steam plant through increase of price as shown. The theory of defendant appears to be that there is a certain excess capacity in pipe lines through which Bakersfield is supplied with gas, and that by the utilization of this excess capacity only, subject at all times to the demands of consumers supplied through the local distributing system at regular rates, boiler fuel gas can reasonably be sold at much less than the average price per thousand cubic feet. There appears to be considerable merit in defendant's contention, provided that gas supplied for boiler fuel purposes is to be delivered by the California Natural Gas Company subject at all times to the demand of regular consumers of the Bakersfield Gas and Electric Company. A further investigation of the physical and operating conditions discloses the fact that at the present initial and terminal pressures maintained by the California Natural Gas Company on its Bakersfield transmission line, said transmission line is capable of delivering approximately 75,000 cubic feet of gas per hour on a four-ounce basis, or 1,800,000 cubic feet per day. This capacity if utilized continually would correspond to 657,000,000 cubic feet per year. The amount of gas, then, which could be delivered at the Bakersfield terminal, in excess of the 236,235,232 cubic feet which Mr. Hoar estimates will be required to supply regular consumers in Bakersfield during the next year, would be 420,764,768 cubic feet. The maximum day's send-out of the Bakersfield company during the year 1913, exclusive of gas supplied the steam plant, was 1,310,441 cubic feet, and including the steam plant the send-out was 1,894,441 cubic feet. The maximum day's send-out during the next year, on Mr. Hoar's basis for estimating increase, can be taken at approximately 1,428,000 cubic feet. From the above it will be evident that the maximum hourly send-out during next year will not be less than 75,000 cubic feet, exclusive of steam plant, and that the entire capacity of the line from Rio Bravo to Bakersfield will be at times required to supply regular consumers in Bakersfield. Under these circumstances, the entire investment, in this line at least, would be necessary to supply the city of Bakersfield if the steam plant ceases operation, and I am of the opinion that, if any material benefit will accrue thereby to the regular consumers of gas in Bakersfield, any excess gas over and above that required to supply the demands of these consumers can reasonably be sold at less than the average price.

The situation may be summed up something like this: Assuming that the average cost per thousand cubic feet for all the gas delivered

in Bakersfield is in accordance with Table XII, which average cost is arrived at on the several bases outlined. If, therefore, the rate on gas sold to the San Joaquin Light and Power Company for boiler purposes must be raised to the point which will compel that corporation for economic reasons to substitute fuel oil, the sales of the California Natural Gas Company will decline by the amount it receives from the San Joaquin Light and Power Corporation. Unless, therefore, the California Natural Gas Company can find other consumers to purchase the gas heretofore sold the San Joaquin Light and Power Corporation, the remaining consumers must make up the deficiency in increased rates.

Therefore, it is apparent that it is to the public interest that the San Joaquin Light and Power Corporation, and consumers of this character, should be permitted to receive gas at such a rate as will enable them to use this kind of fuel rather than be compelled to resort to the use of fuel oil.

Assuming that the consumption of gas in Bakersfield will continue to at least be as great in volume in the future as in the past, the revenue derived by the California Natural Gas Company in the rates herein found to be reasonable will be such as to yield an adequate return on the value of the property of the defendant involved in the proceedings. I find that a rate of 12.75 cents per thousand cubic feet, on a four-ounce basis, is a reasonable rate to be charged by defendant California Natural Gas Company for gas supplied to the Bakersfield Gas and Electric Company for local distribution and sale in the city of Bakersfield and vicinity, and I also find that a rate of seven (7) cents per thousand cubic feet, on a four-ounce basis, for excess gas supplied to the steam plant of the San Joaquin Light and Power Corporation in Bakersfield is a reasonable rate, considering all of the circumstances which have in the past made this rate necessary, to be charged by the defendant California Natural Gas Company for such service.

Having already discussed the principal features of the contract under the terms of which the Bakersfield Gas and Electric Company now purchase natural gas from the California Natural Gas Company for distribution in the city of Bakersfield, and having arrived at a reasonable rate to be henceforth charged the Bakersfield Gas and Electric Company by the California Natural Gas Company for natural gas hereafter to be supplied by the latter at the city limits of Bakersfield, I will now consider the question of reasonable rates to be charged by the Bakersfield Gas and Electric Company, which rates have been called into question by the Commission on its own initiative.

The Bakersfield Gas and Electric Company or its predecessors have been engaged in the business of manufacturing, distributing and selling

gas in the city of Bakersfield since 1892, when a naphtha gas plant was constructed, and until the latter part of December, 1910, when a four-inch transmission line was completed from natural gas wells in the Midway Oil Fields to Bakersfield, artificial gas was sold exclusively. From the time when natural gas was first made available to it the Bakersfield Gas and Electric Company has discontinued entirely the manufacture of gas.

At the present time this company, besides its electrical system, owns an oil gas generating plant, not now in service, and a high and low pressure distributing system in the city of Bakersfield, in which territory it enjoys a monopoly in both gas and electric service.

Natural gas is received from the measuring station of the California Natural Gas Company situated on Oak street at the intersection of Palm avenue at a pressure of approximately 30 pounds. The gas is then conducted through a four-inch high pressure main to the company's gas works located on O street between Twentieth and Twenty-first streets; from the gas works the four-inch high pressure main extends to the steam plant of the San Joaquin Light and Power Corporation on Union avenue opposite the intersection of Monterey street. The low pressure distribution system is supplied from this four-inch high pressure trunk line through a number of district regulators by means of which the pressure is reduced for low pressure service. The business district of Bakersfield is supplied mainly through a six-inch low pressure loop and the residence and other portions of the city through approximately 48 miles of wrought iron mains ranging in size from one inch to four inches. A four-inch cast iron low pressure trunk line also supplies the eastern portion of the city, formerly the town of Kern. During the year 1913, 181,060,000 cubic feet of natural gas was supplied to an average of 3,505 consumers in Bakersfield in addition to 166,069,389 cubic feet supplied to the steam plant of the San Joaquin Light and Power Corporation.

The present rates of the Bakersfield Gas and Electric Company are as follows:

Table XIII.

For the first 5,000 cubic feet per month	.....\$1.00 per 1,000 cubic feet
For the next 5,000 cubic feet per month	......75 per 1,000 cubic feet
For the next 5,000 cubic feet per month	......60 per 1,000 cubic feet
For the next 15,000 cubic feet per month	......50 per 1,000 cubic feet
For the next 20,000 cubic feet per month	......40 per 1,000 cubic feet
For the next 20,000 cubic feet per month	......35 per 1,000 cubic feet
For the next 20,000 cubic feet per month	......30 per 1,000 cubic feet
For all over 90,000 cubic feet per month	......25 per 1,000 cubic feet

A minimum monthly charge of \$1.00 per meter is exacted.



A financial statement submitted by the company to the Commission in connection with this case contains the following information as of December 31, 1913:

Table XIV.

<i>Assets:</i>	
Fixed capital, electric .....	\$438,373 32
Fixed capital .....	468,431 45
<hr/>	
Total fixed capital .....	\$906,804 77
Cash and deposits .....	5,011 00
Accounts receivable .....	71,174 30
Material and supplies .....	3,716 71
Sinking funds .....	6,338 46
Prepaid expenses .....	173 38
Construction work in progress .....	8,041 38
<hr/>	
Total assets .....	\$1,006,866 91
<i>Liabilities:</i>	
Capital stock .....	\$100,000 00
Funded debt .....	18,000 00
Accounts payable .....	61,163 78
Interest accrued .....	1,456 97
Service billed in advance .....	941 72
Reserve for accrued depreciation .....	85,757 46
Casualty and insurance reserves .....	3,218 12
Reserves invested in sinking funds .....	40,338 46
Other reserves from income or surplus .....	1,559 68
Capital surplus .....	412,019 32
Corporate surplus unappropriated .....	284,411 40
<hr/>	
Total liabilities .....	\$1,006,866 91

Operating revenues and expenses of the gas department of this company for the years 1911, 1912, and 1913 are reported to be as follows:

Table XV.

	1911	1912	1913
Operating revenues .....	\$73,588 11	\$125,619 52	\$145,176 01
Operating expenses:			
Production (including gas purchased) .....	\$29,137 47	\$47,224 72	\$59,247 98
Transmission and distribution .....	13,241 80	12,053 22	9,212 65
Commercial and general .....	22,278 68	25,537 44	22,910 98
<hr/>		<hr/>	<hr/>
Balance available for depreciation, interest, etc. ....	\$64,660 95	\$84,815 38	\$91,271 61
<hr/>		<hr/>	<hr/>
	\$8,927 16	\$40,804 14	\$53,804 40

At the hearing of this case an inventory and valuation of the gas properties of the Bakersfield Gas and Electric Company, as of January 1, 1913, including a report on gas rates, prepared by J. G. White Engineering Corporation, was submitted by the company, and a valuation report on the same properties and as of the same date, prepared by Mr. C. L. Cory at the request of the board of trustees of the city of

Bakersfield, was submitted by the city. These two valuation reports were checked and compared by Mr. A. R. Kelley of the Commission's engineering department, who testified at considerable length concerning the results of his investigations and outlining wherein in his judgment the reports should be modified.

The net result of these two valuation reports and Mr. Kelley's testimony is shown in the following table:

Table XVI.

Property in use	Cost to reproduce		
	White	Cory	Kelley
Real estate .....	\$11,064 00	\$11,064 00	\$11,064 00
Buildings and appurtenances .....	11,840 00	11,091 00	11,091 00
Gas plant and equipment .....	3,624 00	4,128 00	4,128 00
Transmission main .....	17,989 00	11,169 00	7,563 00
Distribution system .....	125,268 00	117,656 00	108,880 00
Services .....	49,554 00	17,887 00	41,993 00
Regulators .....	3,206 00	3,303 00	3,311 00
Meters .....	29,671 00	30,202 00	30,199 00
Stable and garage .....	3,449 00	3,805 00	3,805 00
Tools .....	849 00	858 00	857 00
Stores and supplies .....	12,396 00	12,520 00	12,520 00
Working capital .....	20,000 00	10,000 00	7,614 00
Paving .....	16,999 00	15,124 00	-----
<b>Total property in use .....</b>	<b>\$305,843 00</b>	<b>\$237,647 00</b>	<b>\$243,025 00</b>
<b>Property not in use .....</b>	<b>99,598 00</b>	<b>99,927 00</b>	<b>99,927 00</b>
<b>Totals .....</b>	<b>\$405,598 00</b>	<b>\$337,574 00</b>	<b>\$342,952 00</b>

	Present value		
	White	Cory	Kelley
Property in use .....	\$221,168 00	\$174,268 00	\$176,070 00
Property not in use .....	74,514 00	75,090 00	75,090 00
<b>Totals .....</b>	<b>\$295,682 00</b>	<b>\$249,358 00</b>	<b>\$251,160 00</b>

In the report prepared by Mr. Cory the value of services from the property line to the consumer's meter has been excluded and the company maintains this item, valued by Mr. Cory at \$23,164.76, including 20 per cent overhead charges, should be allowed as the cost of services from the company's street mains to the consumers' meters had been borne by it and that consumers had not been required to pay for that portion of the services which is located on private property.

Mr. Kelley in his testimony took the position with respect to the item of services that, since Mr. Ryan's testimony that as far back as he could determine from the records, the company had stood all the expense of running services had been uncontested, the item was a proper capital

charge. Mr. Cory also has used the present freight rates in estimating the cost of materials delivered at Bakersfield, instead of the actual freight rates in effect at the time the plant was constructed and which were considerably higher than those used. The difference in cost resulting from the use of present freight rates is approximately \$3,000.00. Both White and Cory include an item for paving over mains and services, the former allowing approximately \$16,999.00 and the latter \$15,134.02, and White includes \$20,000.00 and Cory \$10,000.00 for "working capital." Mr. Kelley assumes two months' operating expenses amounting to \$7,614.00 as proper amount for this item. The J. G. White report used overhead percentages varying from 20 per cent to 26 per cent in addition to 5 per cent "storeroom expense" on materials, and Mr. Cory used from 10 per cent to 22 per cent on the principal items in addition to 4 per cent "storeroom expense" on material.

Concerning these overhead charges Mr. Kelley stated that the total overhead used by Mr. Cory equaled 19.3 per cent, which figure was .02 per cent higher than that used by him in other cases for similar property.

All three valuation reports should be considered with the theory upon which they were prepared clearly in mind. Each report is merely an estimate of the cost to reproduce the property new as of January 1, 1913. Neither Mr. Ryan, who prepared the report for the J. G. White Engineering Corporation, nor Mr. Cory appears to have used the historical method in arriving at values and neither has attempted to ascertain, for the purpose of their respective reports, what money had actually been invested in the particular gas plant under consideration. In arriving at present or depreciated values both Mr. Ryan and Mr. Cory have merely deducted from the estimated cost to reproduce the property new the accrued depreciation which each estimated by assumed life tables in conjunction with the average age of the various plant units. Under the theory of reproduction new as of the present time, for example, all the appreciation accrued during the years since the plant was actually acquired or constructed, is rightfully included in real estate values. Paving over mains and services which would be necessary at this time, but which required no outlay because there was no paving to be removed and replaced when the mains and services were actually laid and connected is properly included. Increased labor costs of the present time are, without question, to be substituted for the actual labor costs paid by the company. Large administrative and engineering expenses are estimated as being required to reproduce the completed property as it exists to-day notwithstanding the fact that in the actual process of development and construction of the plant such

administrative and engineering expense as had been required may have been included in the regular operating expense of the company, and consequently repaid out of earnings. Interest during construction is included on the theory that to reproduce the present property new would require, say, one year, whereas the actual period of construction was extended over many years with the probability that only a portion of the money actually invested was inactive for periods exceeding a few months. Casualty insurance and fire insurance are properly to be considered in estimating what the cost will be to construct a property new, but such estimates are rarely any indication of what amounts were actually paid for such insurance or to satisfy damage claims.

In passing it should be noted that estimates of cost to reproduce new, unless based on the historical method, at best merely indicate what the cost would be to reproduce a given property in its entirety at a different time and under different conditions than those prevailing during the actual period of construction and development and unit prices thus obtained may and often do vary widely from the historical costs. This is particularly true in the case of water and gas companies where a large portion of the investment is buried under improved streets.

An arbitrary percentage is usually added for contingencies according to the general acceptance of the term which might occur in the event the property was to be reproduced, the amount of which or the percentage used would depend upon the accuracy of the inventory and cost records which were used.

In the present case Mr. Cory includes in his overhead charges 5 per cent on "Buildings and Appurtenances" and 10 per cent on "Gas Works," "Gas Distributing System" and "Gas Services" as representing the "Excess value of completed plant," and explains that these percentages were not intended to represent going value, but that they might include contingencies; that work of the character upon which he allowed this percentage required considerable supervision, planning and modifications or contingencies in connection with the construction. Mr. Cory called attention to the fact that he had allowed only 5 per cent for engineering and supervision, and that he considered the completed work had a somewhat greater value than merely the itemized costs, excluding these 5 per cent and 10 per cent allowances. Mr. Cory thought these percentages might be called contractor's profit, but did not know whether it would be necessary for a company in constructing its plant to make such an expenditure or not.

I am of the opinion that such arbitrary percentages as have been included by Mr. Cory, under the head of "Excess Value of Completed Plant," are altogether too intangible to be allowed or recognized by this Commission as an overhead charge, and I must confess that I see nothing unusual in the allowance of 5 per cent for engineering which

Mr. Cory apparently considers exceptionally low. This or a lesser percentage to cover engineering, so far as I am able to discover, has been quite generally used by the Railroad Commission of Wisconsin and other regulating bodies.

I also feel that overhead percentages included in the J. G. White report are largely unjustifiable, considering the unit prices used. It would seem as though the unit prices themselves, in both valuation reports submitted in this case, were ample at least to cover any of the ordinary contingencies likely to be encountered in the construction of a plant of this character.

I am of the opinion that the sum of the structural costs shown by Mr. Kelley in Table XVI, plus that portion of the transmission main which he excluded, less the item for working capital, reasonably indicates the probable cost to reproduce the gas properties of the Bakersfield Gas and Electric Company new as of March 31, 1913, assuming a construction period of one year. The actual cost of additions and betterments from March 31, 1913, to March 31, 1914, as reported by the company, added to reproduction cost so obtained should fairly represent the cost to reproduce new as of March 31, 1914. There should also be included as property in use the 200,000 cubic foot gas holder at an estimated cost of \$40,762.00. On the reproduction theory used, including all appreciation in land values, and the item stores and supplies, would be a complete reproduction cost for all property used and useful of \$297,263.00, as shown in the following table:

Table XVII.

Real estate .....	\$11,064 00
Gas plant buildings and general structures.....	11,120 00
Gas holders .....	40,762 00
Miscellaneous equipment .....	4,128 00
High pressure trunk line.....	14,544 00
Distribution mains .....	113,586 00
Gas services .....	45,448 00
Gas meters (in service).....	30,605 00
Regulators .....	8,296 00
Transportation equipment .....	3,805 00
Tools and appliances .....	857 00
Furniture and fixtures .....	528 00
Stores and supplies .....	12,520 00
Total .....	\$297,263 00

It should be pointed out that the foregoing table merely indicates what the cost would be to reproduce the property new at the present time and under assumed conditions, and does not represent the actual investment by the company nor the present value of the property used and useful in connection with the production, distribution, and sale of natural gas in the city of Bakersfield and vicinity. No evidence bearing on the subject of original cost was introduced at the hearing with

the exception of additions and betterments from March 31, 1913, to March 31, 1914.

While it is at once evident that value is a matter of opinion and judgment, and that no fixed rule can be made applicable in all cases, it is also clear that the cost of reproduction is not conclusive, and that values so obtained, and including appreciations, must be correspondingly reduced to compensate for any accrued depreciation through wear and tear and other causes.

In the present case the value to be allowed for rate purposes should obviously not include the cost of paving over mains and services for the simple reason that no expenditure for such purpose has apparently been required. In absence of definite proof, or at least the possibility of a reasonable assumption, that such expenditures were made no value can be allowed for this item. While finding that certain items should be excluded for the purpose of this case it has also been made apparent that certain increased costs should be allowed. For example, as testified to by Mr. Kelley and Mr. Ryan, the freight rates used by Mr. Cory are less than the actual freight rates from coast terminal points to Bakersfield during the time when construction was actually in progress.

The estimates of depreciated reproduction cost, contained in the valuation reports prepared by Mr. Ryan and Mr. Cory, and submitted as tending to establish the present value of the property under consideration, were arrived at through deducting amounts for accrued depreciation based on assumed life tables. While it is true that there is no absolute standard for determining the probable life of any particular property, I believe that the methods used by both Mr. Cory and Mr. Ryan in valuation reports submitted by them in this case not only result in a higher depreciation annuity than appears necessary and a much larger amount than was actually charged off by the company for the year 1913, but would indicate a present value for the property lower than will be used for the purpose of this particular investigation.

The actual amount charged to depreciation and amortization of capital in the gas department for the year 1913 was \$15,344.36 as compared with Mr. Cory's estimate of \$17,824.00 on the "straight line basis" and Mr. Ryan's estimate of \$25,159.00 on the same basis. The complete comparison is as follows:

Table XVIII.

	Actually charged, 1913	Estimated for 1913 by Cory	Estimated for 1913 by Ryan
Depreciation -----	\$8,040 90	\$11,284 00	\$19,000 00
Amortization -----	7,303 46	6,540 00	6,159 00
Totals -----	\$15,344 36	\$17,824 00	\$25,159 00

The actual reserve for accrued depreciation for both gas and electrical properties on January 1, 1914, as shown in statements submitted by the company was \$85,757.46, and segregating this fund on the basis of fixed capital in the gas department as compared with the total fixed capital, according to the company's statements about 51.66 per cent, or \$44,302.30, can be assumed to be the present reserve for accrued depreciation in the gas department.

In addition to the property which I have referred to hereinbefore the Bakersfield Gas and Electric Company owns certain manufacturing equipment accessories which have been rendered inoperative through inadequacy and the introduction of natural gas. This property is not now in use, nor is any portion of it required to serve the public, and the company asks to be permitted to charge rates sufficient to amortize the estimated present value, less salvage, in five years. On strict reproduction theory this non-operative property could not be considered for rate-making purpose, but in view of the fact that this portion of the property was necessary for the purpose of serving the public when it was constructed and that only because of changed conditions which could not readily be foreseen has it become obsolete before natural deterioration through decrepitude and wear and tear rendered its replacement necessary, I can see no reason why, if other values are to be adjusted in accordance with the facts, the remaining value, less salvage, should not be amortized out of earnings. All three reports submitted have included the 200,000 cubic foot steel holder as property not in use although the evidence in the case clearly establishes the fact that this holder is kept constantly filled with gas to partially guard against temporary interruptions due to accidents on the single transmission line which supplies Bakersfield. Under the circumstances this holder should not be classed as non-operative property, and I have, accordingly, considered it as a portion of the property in use. If the present depreciated value of the remaining property not in actual use, less its salvage value, is to be amortized, the amortization period should not be less than ten years and the annuity to be set aside for such purpose should be calculated on the sinking fund basis with interest at 6 per cent. During the period of amortization, and for the purpose of rate analysis in this case, the loss represented by the difference between the present value of the obsolete plant and its salvage value will be considered as a development expense.

Working cash capital has been allowed by Mr. Cory, Mr. Ryan and Mr. Kelley in amounts of \$10,000.00, \$20,000.00 and \$7,614.00, respectively. To this extent these gentlemen have followed logically the reproduction theory upon which their valuation reports were prepared and submitted. I question, however, the logic of also including,

under the strict reproduction theory, the large value in stores, supplies, and materials on hand, which is also clearly working capital. At any event, for the purpose of this investigation, it will not be necessary to allow additional working capital for the reason that the company's statement shows consumers' deposits on hand amounting to \$13,501.15 in addition to \$941.70 for service billed in advance.

Considering all the facts connected with this particular case, I find that the values and depreciation allowances shown in the following table are reasonable and fair to both the public and the utility for the purpose of this investigation:

Table XIX.

	Value	Depreciation annuity
Real estate .....	\$11,064 00	
Buildings .....	10,646 75	\$51 50
Gas holders .....	38,246 88	131 73
Miscellaneous equipment .....	3,790 08	46 96
Transmission mains .....	10,454 75	190 56
Distribution mains .....	104,889 48	2,039 60
Gas service .....	41,423 68	1,162 14
Gas meters (in service).....	28,905 83	785 79
Regulators .....	8,347 73	152 15
Transportation equipment .....	3,749 00	665 06
Tools and appliances.....	849 00	150 61
Furniture and fixtures.....	528 51	22 71
Working capital (including stores, supplies and materials on hand).....	13,581 79	32 24
Development expense (superseded plant).....	21,379 22	1,632 02
Totals .....	\$297,856 70	\$7,063 07

For the purpose of rate analysis the general capital has been prorated and the capital and fixed charges segregated between production, transmission, distribution and service as shown in the following table:

Table XX.

	Capital	Interest	Depreciation
Production .....	\$89,440 50	\$7,155 25	\$2,068 60
Transmission .....	11,162 19	892 97	224 41
Distribution .....	120,899 54	9,671 97	2,558 36
Service .....	76,354 47	6,108 35	2,211 70
Totals .....	\$297,856 70	\$23,828 54	\$7,063 07

The investment for additions and betterments for 1913 is found to equal approximately 45.2 cents per 1,000 cubic feet of increased gas sales for 1913 over those of 1912, and the probable investment in additions and betterments for the next year was estimated on that basis, using the sales for 1914, as estimated by Mr. Hoar. The probable additional investment during 1914 was found by this method to be



\$7,350.14, which was prorated to distribution and service in amounts of \$5,231.29 and \$2,118.85, respectively. Interest at 8 per cent for one half year was prorated on the same basis.

Operating expenses summarized in Table XV for the year 1913 less the cost of gas purchased have been directly segregated to production, transmission, distribution and service. General office and commercial expense have been prorated to each of these divisions with the result shown in Table XXII. In estimating the increased expense for 1914 the production, transmission, and distribution expenses were assumed to increase in proportion to the gas sales and the service expense to increase in proportion to the increase in number of consumers:

Table XXI.

	1913	1914
Production expense -----	\$4,293 09	\$4,678 60
Transmission expense -----	466 49	508 38
Distribution expense -----	730 95	796 59
Service expense -----	27,772 42	30,510 79
Totals (less gas purchased and taxes)-----	\$33,262 95	\$36,494 36

The total average cost of gas delivered to consumers in Bakersfield and vicinity is shown in Table XXII. The total amount of gas purchased for distribution during 1914 is estimated to be 236,235,232 cubic feet, 15 per cent of which is assumed to be lost in transmission and distribution and the remainder, 197,324,400 cubic feet, is taken as the net sales for the year. It is assumed that the sales of fuel gas to the steam plant of the San Joaquin Light and Power Corporation will equal the sales during 1913 and that this gas will only carry its proportion of the transmission costs and will at all times be sold subject to the demands and convenience of regular retail consumers of the Bakersfield Gas and Electric Company.

Table XXII.

	Production	Transmission	Distribution	Service	Total
Operating expense -----	\$38,967 84	\$504 38	\$796 59	\$30,510 79	\$70,783 60
Fixed charges -----	9,223 85	1,326 58	12,230 33	8,404 80	31,185 56
Totals -----	\$48,191 69	\$1,834 96	\$13,026 92	\$38,915 59	\$101,969 16
Credit due to minimum charge -----	3,659 98				3,659 98
Balance -----	\$44,531 71	\$1,834 96	\$13,026 92	\$38,915 59	\$98,309 18
Credit due to steam plant gas -----		838 48			838 48
Net balance -----	\$44,531 71	\$996 48	\$13,026 92	\$38,915 59	\$97,470 70
Cost per 1,000 cubic feet.	22.5678¢	.5019¢	6.6018¢	19.7126¢	49.3961¢

NOTE.—The above includes taxes and gas purchased.

**Cost of Steam Plant Gas.**

Purchase price per 1,000-----	7.0000 cents per 1,000 cubic feet
Loss -----	.3684 cents per 1,000 cubic feet
Transmission cost -----	.5049 cents per 1,000 cubic feet
Taxes -----	.3796 cents per 1,000 cubic feet

Total cost ----- 8.2529 cents per 1,000 cubic feet

The consumer charge is found to be 84.9166 cents per month and the minimum charge should accordingly be fixed at \$.85 per month per meter.

The following schedule of rates is found to be reasonable for natural gas sold in the city of Bakersfield by the Bakersfield Gas and Electric Company:

**Schedule "A." Rate for Natural Gas.**

Applicable to all consumers.

*C. R. C. Classification: Service, 8156; Rate, .0021; Serial No. 140421-1.*

First 3,000 cubic feet used per month-----	70 cents per 1,000 cubic feet
Next 7,000 cubic feet used per month-----	50 cents per 1,000 cubic feet
Next 90,000 cubic feet used per month-----	35 cents per 1,000 cubic feet
Over 100,000 cubic feet used per month-----	25 cents per 1,000 cubic feet

Minimum monthly charge per meter, \$.85.

Gas to be delivered under this schedule at a pressure of 4 ounces per square inch.

All services are installed by the company at its own expense from the street mains and for a distance of 50 feet inside the property line.

**Schedule "B." Special Transmission Rate for Natural Gas.**

Applicable to consumers having an annual consumption in excess of 150,000,000 cubic feet.

*C. R. C. Classification: Service, 8711; Rate, .0073; Serial No. 140421-2.*

8.25 cents per thousand cubic feet (4-ounce basis).

Excess gas, being the difference between the total demand of the local distribution system at any time and the maximum capacity of the transmission line, will be supplied at this rate only from the transmission lines of the company subject at all times to the requirements and convenience of distribution consumers.

The effect of the above schedules of rates is shown in the following table:

**Table XXIII.**

Block	Cubic feet	Per cent of consumers affected	Total sales	Total gas	Revenue
First -----	3,000	65 %	29½ %	58,210,698	\$40,747 49
Second -----	7,000	17½	33	65,117,052	32,558 53
Third -----	90,000	17	29	57,224,076	20,028 42
+	100,000	½	8½	16,772,574	4,193 14
<b>Totals -----</b>		100 %	100 %	197,324,400	\$97,527 58
Excess due to minimum charge-----					3,659 98
Excess transmission (steam plant)-----					838 48
					<b>\$102,026 04</b>

It will be noted that in arriving at a proper rate no consideration has been given to increased sales due to the lower price at which the com-

modity is sold, although it is almost a certainty that the effect will be to increase the total sales for 1914 between 15 per cent and 20 per cent.

On the conservative estimates used throughout this investigation it is shown that the revenue derived from the sale of gas by the Bakersfield Gas and Electric Company under the schedule of rates hereinabove proposed will, in addition to meeting all operating cost and providing an adequate depreciation reserve, pay 8 per cent interest on over \$298,500.00.

While it is true that the rates herein found to be reasonable, both for gas sold at wholesale by the transmission company and at retail by the distributing company are considerably higher than those rates charged for natural gas in other states, referred to during the first hearing of Case No. 357, I am of the opinion that the rates herein found to be proper, after a full and careful consideration of the evidence submitted in these cases, are fully justified under the circumstances and I therefore submit the following form of order:

#### ORDER.

The Kern County Merchants' Association having filed with this Commission its complaint against the California Natural Gas Company alleging that said company's existing wholesale rates for natural gas delivered at the city limits of the city of Bakersfield are unjust and unreasonable, and requesting this Commission to fix rates for natural gas so delivered which shall be just and reasonable, and this Commission having on its own initiative instituted an investigation into the rates charged by the Bakersfield Gas and Electric Company for the natural gas purchased by it from the said California Natural Gas Company and distributed to the inhabitants of the city of Bakersfield and vicinity, and a public hearing having been held, and the parties having stipulated that the cases might be consolidated and that the evidence taken in the one should be considered as evidence in the other, and evidence having been introduced by parties to both cases and by this Commission, and the Commission being fully advised in the premises we find as a fact—

1. That the existing rates charged and collected by the California Natural Gas Company for natural gas delivered at the city limits of the city of Bakersfield, which rates and other matters pertaining thereto are fully set forth in the preceding opinion, are unjust and unreasonable.
2. That a just and reasonable rate to be charged and collected by the California Natural Gas Company for natural gas delivered at the city limits of the city of Bakersfield and to and into the high pressure trunk lines of the Bakersfield Gas and Electric Company to be thereafter dis-

tributed to all the domestic, commercial, and industrial consumers of the said Bakersfield Gas and Electric Company, is twelve and seventy-five hundredths (12.75) cents per one thousand cubic feet on a four-ounce basis.

3. That a just and reasonable rate to be charged and collected by said California Natural Gas Company for any excess gas over and above that amount required at any time to supply all of the domestic, commercial, and industrial consumers of natural gas in the city of Bakersfield and vicinity, which excess gas may be deliverable by said California Natural Gas Company at the city limits of the city of Bakersfield and to and into the high pressure trunk lines of the Bakersfield Gas and Electric Company, thereafter to be transmitted and delivered by said Bakersfield Gas and Electric Company to the steam plant of the San Joaquin Light and Power Corporation, or at other points along the high pressure trunk lines of said Bakersfield Gas and Electric Company in the city of Bakersfield, is seven (7) cents per one thousand cubic feet on a four-ounce basis.

4. That the existing rates charged and collected by the Bakersfield Gas and Electric Company for natural gas for domestic, commercial, industrial and all other purposes in the city of Bakersfield and vicinity served by said company, which rates are fully set forth in the preceding opinion, are unjust and unreasonable.

5. That a reasonable schedule of rates to be charged and collected by the said Bakersfield Gas and Electric Corporation for natural gas for domestic, commercial, and industrial purposes in the city of Bakersfield and vicinity served by said company is as follows:

**Schedule "A." Rate for Natural Gas.**

Applicable to all consumers.

*C. R. C. Classification: Service, 8156; Rate, .0021; Serial No. 140421-1.*

First	3,000 cubic feet used per month-----	70 cents per 1,000 cubic feet
Next	7,000 cubic feet used per month-----	50 cents per 1,000 cubic feet
Next	90,000 cubic feet used per month-----	35 cents per 1,000 cubic feet
Over	100,000 cubic feet used per month-----	25 cents per 1,000 cubic feet

Minimum monthly charge per meter, \$.85.

Gas to be delivered under this schedule at a pressure of 4 ounces per square inch.

All services are installed by the company at its own expense from the street mains and for a distance of 50 feet inside the property line.

6. That a reasonable rate to be charged and collected by the said Bakersfield Gas and Electric Company for any excess gas over and above that amount required at any time to supply the requirements of all domestic, commercial, and industrial consumers of natural gas in the city of Bakersfield and vicinity, which excess gas may be deliverable by said company to the steam plant of the San Joaquin Light and Power

Corporation, or at other points along the high pressure trunk lines of the said Bakersfield Gas and Electric Company is as follows:

**Schedule "B." Special Transmission Rate for Natural Gas.**

Applicable to consumers having an annual consumption in excess of 150,000,000 cubic feet.

*C. R. C. Classification: Service, 8771; Rate, .0073; Serial No. 140421-2.*

8.25 cents per thousand cubic feet (4-ounce basis).

Excess gas, being the difference between the total demand of the local distribution system at any time and the maximum capacity of the transmission line, will be supplied at this rate only from the transmission lines of the company subject at all times to the requirements and convenience of distribution consumers.

Basing our conclusions on the foregoing findings of fact, and in the further findings of fact contained in the opinion which precedes this order.

*It is hereby ordered* that the California Natural Gas Company within twenty (20) days from the date of service on it of a copy of this opinion and order, publish, and file with this Commission and thereafter charge and collect for natural gas delivered at the city limits of the city of Bakersfield and to and into the high pressure mains of the Bakersfield Gas and Electric Company the following rates:

(a) 12.75 cents per one thousand cubic feet on a four-ounce basis for gas to supply all domestic, commercial, and industrial consumers of the Bakersfield Gas and Electric Company in the city of Bakersfield and vicinity.

(b) 7 cents per one thousand cubic feet on a four-ounce basis for any excess gas over and above that amount required at any time to supply the requirements of all the domestic, commercial and industrial consumers of the Bakersfield Gas and Electric Company in the city of Bakersfield and vicinity.

*And it is further ordered* that no gas shall be sold by the California Natural Gas Company at the excess gas rate herein provided except at such times as the combined demands of all domestic, commercial, and industrial consumers of natural gas in the city of Bakersfield and vicinity may not require the entire supply capacity of the transmission line.

*And it is further ordered* that the Bakersfield Gas and Electric Company within twenty (20) days from the date of service on it of a copy of this opinion and order, publish and file with this Commission, and thereafter charge and collect from its customers in the city of Bakersfield and vicinity served by said company the following schedules of rates:

**Schedule "A." Rate for Natural Gas.**

Applicable to all consumers.

*C. R. C. Classification: Service, 8156; Rate, .0021; Serial No. 140421-1.*

First 3,000 cubic feet used per month-----70 cents per 1,000 cubic feet  
 Next 7,000 cubic feet used per month-----50 cents per 1,000 cubic feet  
 Next 90,000 cubic feet used per month-----35 cents per 1,000 cubic feet  
 Over 100,000 cubic feet used per month-----25 cents per 1,000 cubic feet

Minimum monthly charge per meter, \$.85.

Gas to be delivered under this schedule at a pressure of 4 ounces per square inch.

All services are installed by the company at its own expense from the street mains and for a distance of 50 feet inside the property line.

**Schedule "B." Special Transmission Rate for Natural Gas.**

Applicable to consumers having an annual consumption in excess of 150,000,000 cubic feet.

*C. R. C. Classification: Service, 8771; Rate, .0073; Serial No. 140421-2.*

\$.25 cents per thousand cubic feet (4-ounce basis).

Excess gas, being the difference between the total demand of the local distribution system at any time and the maximum capacity of the transmission line, will be supplied at this rate only from the transmission lines of the company subject at all times to the requirements and convenience of distribution consumers.

*And it is further ordered* that no gas shall be transmitted or sold by the Bakersfield Gas and Electric Company at the excess gas rate herein provided except at such times as the combined demand of all domestic, commercial, and industrial consumers of natural gas in the city of Bakersfield and vicinity may not require the entire supply capacity of the high pressure trunk lines.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 25th day of April, 1914.

**DECISION No 1459.**

**IN THE MATTER OF THE RATES CHARGED AND SERVICES RENDERED BY H. R. ATWOOD, ALSO DOING BUSINESS UNDER THE NAME OF ENCANTO MUTUAL WATER COMPANY, FOR WATER SUPPLIED TO HIS CONSUMERS AT ENCANTO, SAN DIEGO COUNTY, CALIFORNIA.**

Case No. 547.

*Decided April 25, 1914.***REPORT OF THE COMMISSION.****SUPPLEMENTAL ORDER.**

Whereas the order heretofore, on March 28, 1914, entered in the above entitled proceeding, by a clerical error refers to 15,000 gallons, whereas it should provide for 15,000 cubic feet or 112,500 gallons,

*It is hereby ordered* that said order be and the same is hereby amended so as to read as follows:

*“It is hereby ordered* that within twenty (20) days from the receipt of a copy of this Commission’s opinion and order, H. R. Atwood, also doing business under the name of Encanto Mutual Water Company, shall file with this Commission a rate for water delivered by him to his consumers of twenty-five (25) cents per thousand gallons, with a monthly minimum of one dollar and twenty-five cents (\$1.25), provided, that if any consumer consumes through any one meter during any one month an amount of water in excess of 112,500 gallons, the rate in such event shall be for the entire amount of water going through said meter during said month, the sum of twenty (20) cents per thousand gallons, said rates to become effective on and after May 1, 1914.”

In all other respects said order shall remain in full force and effect.

Dated at San Francisco, California, this 25th day of April, 1914.

---

DECISION No. 1460.

IN THE MATTER OF THE INVESTIGATION ON THE COMMISSION’S OWN MOTION OF THE RULES, REGULATIONS AND PRACTICES OF THE PULLMAN COMPANY.

---

Case No. 462.

*Decided April 25, 1914.*

---

The Commission, upon consideration of the numerous informal complaints received, instituted upon its own motion, an investigation into the rules, regulations and practices of respondent. Various different subjects of complaint reviewed, and though no order is rendered at the present time, remedies suggested, which respondent is directed to comply with and put into effect within thirty days.

*Held*, That the methods of respondent as to the reservation of berths is unjust and discriminatory, form of receipt suggested, and respondent directed to eliminate from the form of receipt submitted by it, the wording that such receipt does not guarantee a reservation.

*Held*, That the salaries paid by respondent to its employees are so low as to be nothing more than an inducement to such employees to solicit gratuities from the traveling public. Respondent directed to take such steps as may be necessary to place its scale of salaries upon a basis, thereby enabling the public to give such gratuities as it may desire in a spirit of generosity and not with a feeling of necessity, as is now the case. That if this company can not be fair and just to the public and its employees, it will be hard to expect public sentiment as expressed by this Commission, to accord to this company and to like corporations in the future, the just treatment to which they are entitled.

*G. S. Fernald and T. C. Coogan*, for the Pullman Company.

## REPORT OF THE COMMISSION.

This investigation was commenced by the Commission on its own motion because of numerous informal complaints which have been received at various times alleging that many of the rules, regulations and practices of the Pullman Company were such as to cause great inconvenience to the traveling public.

The complaints may be summarized as follows:

1. Double selling of berths and failure to honor telegraphic reservations when presented by passenger to the conductor.
2. Overheating cars.
3. Passengers applying for lower berths being advised that none are available, while passengers coming later are able to get lower berths by tipping the conductor.
4. Porters making up berths too early in the morning, thereby awakening passengers unnecessarily.
5. Hotel porters reserving a large number of berths on high class trains and selling them out to guests of the hotels at advanced prices.
6. Porters paying less attention to women passengers than to men, because of the fact that men are more liberal with tips.
7. Less attention given passengers in tourist than in standard sleepers, because tips in standard cars are more generous.
8. Dirty cars, with particular reference to tourist sleepers.
9. Inattention of employees.
10. Improper method of payment to conductors and porters and burdensome rules with reference to these employees.

We shall consider these complaints in the order named.

1. Double selling of berths and failure to honor telegraphic reservations when presented by passenger to the conductor.

It is a fact well known to any one doing a considerable amount of traveling that there is constant conflict between Pullman conductors and the traveling public, due to the fact that the agent at terminal points has not recorded on his train diagram the numbers of tickets which may be sold for the various accommodations, and has neglected to record on the chart the space which has been allotted to agents along the route of the train in response to telegraphic reservation. The conductor, of course, is not responsible for this condition of affairs, yet notwithstanding it he must take the blame and the criticism of the justly indignant passenger. However much the conductor may explain, this is poor consolation for the passenger holding a ticket for a lower berth who is compelled to take an upper berth, or who is unable to secure space at all.

A witness for the Pullman Company testified that during the year 1912, there were sold in California 725,399 Pullman tickets, and that the record indicated that in only 295 cases had there been double sell-



ing of berths. While we do not dispute that the Pullman records show this fact, still we are clearly of the opinion that they do not show the real situation. It is idle to urge that the almost universal complaint and the great number of cases coming under the observation of the Commission and its employees can be accounted for by the 295 cases appearing on the Pullman records. A knowledge of the Pullman practices shows that its records would not indicate the real situation. The conductor, in the past, has not recorded double sales where he has been in a position to furnish the passenger with other accommodations, whether such accommodations are satisfactory to the passenger or not, nor has any record been kept of passengers presenting a memorandum from an agent that certain space was reserved, when, as a matter of fact, such space was not available. A lack of coherence in the Pullman Company's system is responsible for this abuse, for it can not be styled other than an abuse. Having a monopoly of the business and having no fear but that under ordinary circumstances its space will be sold—for people desiring to travel and having made their arrangements to travel ordinarily will do so—this company has not taken the precaution to see that the conductors on trains know what has been done by the agents at stations en route, nor that the agents at such stations know what has been done by the agents at terminal points, or by the conductors themselves.

It is obvious that some arrangement must be made whereby agents having control of the charts at terminal points will record on these charts the number of every ticket they have sold, and under no circumstances erase that number unless the ticket is redeemed. Likewise, it must be apparent that a rule requiring terminal agents to note in telegrams the names of passengers requesting accommodations by telegraph from points other than terminal points must be rigidly enforced, and the chart given to the conductor in charge of the Pullman cars in the train in question, should in every instance show the reservation and at what point the passenger will board the train, and under no circumstances should these accommodations be sold before the train reaches the point at which the passenger is to board the train, unless such space is released in the proper manner. Much of the complaint concerning the failure on the part of the Pullman Company to accommodate those who have made reservation, comes from interior points, and we believe there is to be found an explanation for this fact.

The representatives of the Pullman Company testified that they desire the longest haul possible and, of course, they would prefer having space occupied from Portland to San Francisco, for example, rather than occupied only from Weed to San Francisco. And the inclination

would be that if after a reservation in a train from Portland to San Francisco has been made out of Weed by telegraph, and a passenger appeared desiring to buy space from Portland to San Francisco, to accommodate the Portland to San Francisco passenger rather than the intermediate passenger because such a procedure would net the Pullman Company more money. In fact, the representatives of this company seek to justify the right to charge as great an amount between an intermediate point and the terminal as between the terminals, and suggest that the passenger from Weed to San Francisco ought to be required to pay the Portland to San Francisco rate. We have had many suggestions designed to increase revenue of utilities, but none quite like this before. These carriers are in this business to accommodate all of the public, not a part of the public. It would be just as legitimate for the railroad company to urge that it be allowed to charge the same rate from Weed to San Francisco as from Portland to San Francisco on the ground that its cars have to run clear through, as for the Pullman Company to do likewise. The person so unfortunate, from the Pullman Company's standpoint, as to live elsewhere than in the large cities, nevertheless has the same right to accommodation and the same right to the protection of this Commission as the person who travels a greater distance and lives in the larger center. This company should under no circumstances prefer that passenger who gives to it the greater revenue, unless such passenger applies first for accommodation; and when any one at Weed desires to secure a reservation on a through train, if that application is made while such space is available, it should be reserved for such passenger on the payment of the rate from Weed to the point to which the Weed passenger desires to travel, and the fact that some one from Portland to San Francisco subsequently desires the same space should not entitle him to the preference.

To the end that these complaints about overselling and the complaints of intermediate passengers that when they board the trains after having made reservations they find no space available, may be cured we believe that all agents of the various railroad lines, or, at least a sufficient number adequately to accommodate the public should be furnished with a form of receipt numbered consecutively so that when an agent in the interior telegraphs the terminal agent for accommodation the receipt number will also be telegraphed and entered by the terminal agent on the chart. This receipt should be given the applicant for berth and the price of the berth collected from the applicant. Thus, when a passenger boards the train he will have a receipt for his fare which the conductor should honor for the accommodations reserved. We believe with some such plan in operation there will be less likelihood of terminal agents selling space originally reserved for passengers

desiring to board the train along the route. In this connection the Pullman Company has submitted a form of receipt (Form No. 9082-3, Series A) which we do not believe fully covers the requirements in this respect. There appears on this receipt the following:

“ . . . This receipt does not guarantee such reservation.”

Inasmuch as the object of this receipt is to guarantee such reservation it is plainly evident that this language should be eliminated. It seems peculiar that this company finds it necessary to hedge about itself in every way possible so as to avoid responsibility. This has been one of the things that has impressed the Commission in its investigation of this company. It does not seem to feel that it is responsible to the public, but rather that the public is responsible to it. As far as intra-state transportation is concerned this portion of the receipt must be eliminated.

**2. Overheating of cars.**

Considerable complaint has been made from time to time that Pullman porters, in order the better to satisfy their own feelings, keep the cars heated to an oppressive temperature, causing a great deal of inconvenience to passengers. This inconvenience, it is alleged, is made greater by reason of poor ventilation.

It will readily appear that this is a very difficult matter to regulate because of the different likes and dislikes of the numerous passengers in the Pullman car. It, of course, would be impossible to have a car cold enough and airy enough to satisfy some people without having it entirely too cold and too airy to satisfy others. Likewise, when those desiring a close, warm place to sleep are satisfied others desiring an opposite environment would be dissatisfied. We would suggest, however, that the Pullman Company to the best of its ability instruct its employees to maintain that degree of temperature and that amount of ventilation which sound rules of health and sanitation require and let those passengers who do not like such a condition complain, for there can be no other method of meeting this complaint.

**3. Passengers applying for lower berths being advised that none are available, while passengers coming later are able to get lower berths by tipping the conductor.**

It has been urged from time to time upon this Commission that conductors hold out lower berths for the purpose of getting tips from passengers who are aware of this practice. We do not know, nor does the evidence show, whether or not this is a fact, but from the frequency with which it is maintained and the fact that traveling men on the stand testified that by “coming through” they got what they wanted leads us to believe that there is something in this complaint. We would not for a moment, on the meager evidence on this point, accuse the conductors of this company as a whole of being dishonest in this regard.

That some are dishonest goes without saying, just as dishonest men will be found in all occupations. But we do not believe that this is the rule, although steps should be taken to see that those, if any, of the conductors of this company who resort to this method of increasing their salary, be dealt with in the proper manner.

**4. Porters making up berths too early in the morning, thereby awakening passengers unnecessarily.**

It is the tendency of the Pullman porter to commence closing up berths just as early in the morning as is possible in order that he may get his car made up at an early hour. It is urged by some of the complainants that in doing this he makes as much noise as possible so as to awaken the other passengers so that in turn he may make up their berths. Particularly is this complaint prevalent as to those trains that reach terminal points comparatively early in the morning. We can see no good reason why on a train arriving at a terminal point at 6 o'clock in the morning that the passengers should not be allowed to sleep a reasonable time thereafter. The only reason for arousing the passengers at 5.30 and getting them out of the car is to convenience the employees of the Pullman Company in getting their car made up early, and the employees of the railway company in taking the car at the terminal point to the yards. We know of few instances where, under these circumstances, the convenience of the public has even been thought of. We give it as our opinion, that it is utterly unnecessary, where a Pullman car does not go beyond, any of the passengers should be awakened before 7 o'clock in the morning, unless they so desire. The very small inconvenience to the Pullman Company and the railway company will make it very much pleasanter for numerous people to travel. And while in this, as in all the other matters here discussed, we will make no order at the present time, still we will expect the companies involved to see to it that a small amount of care at least be exercised in an endeavor to convenience passengers in this regard. When passengers leave their berths voluntarily at a very early hour, the porter should not be criticized for making up such berth, because thereby space becomes available for the passengers, but he should do so quietly as possible, and the passengers whose early rising tendency caused them to leave their berths at such very early hours, should and quite properly can, be required by the Pullman conductor and the porter to refrain from loud talking and unnecessary noise which disturbs their fellow passengers who are inclined to sleep longer, but who often find it impossible to do so because of the thoughtlessness both of the employees of the Pullman Company and of the other passengers. Here again thoughtfulness and a little care on the part of those holding themselves out to serve the public will greatly convenience many travelers without any cost, but slight inconvenience, to any one else.

5. Hotel porters reserving a large number of berths on high class trains and selling them out to guests of the hotels at advanced prices.

There can be no question that this practice exists to a greater or less degree. While it may be difficult to overcome, it may be materially curtailed by requiring all known hotel porters to present, when reserving space, a memorandum from the hotel clerk or manager to the effect that the accommodations requested are required by guests registered at the hotel. And we suggest that the Pullman and railroad officials cooperate with the hotel managements to prevent abuses of this kind.

Neither here nor elsewhere in this opinion do we suggest that reservation should not be made under reasonable restrictions before the actual payment is made. There are many circumstances under which this should be done, but such reservation should only be held until a reasonable opportunity to pay for the same has been accorded to the one desiring to travel; and the Pullman Company will not take what we say here as a justification for restricting its present practice of making reservations in advance under reasonable restrictions, and thereby making the inconvenience to the traveling public greater rather than less, as we hope will result from this investigation.

6. Porters paying less attention to women passengers than to men, because of the fact that men are more liberal with tips.

While this Commission, of course, should be very careful about committing itself as to the truthfulness of these complaints, yet from their number it appears to be true that for some reason either the porters are not as attentive to the women passengers, or the women passengers think they are not. It goes without saying that the employees of the Pullman Company should not only give equal attention to women passengers, but if any preference be found necessary to be given, that they receive such preference.

We shall discuss later, however, the effect of the tipping habit and of the practices of the Pullman Company with reference thereto which will explain the lack of attention on the part of Pullman employees to those who are not considered by such employees as generous enough.

7. Less attention given passengers in tourist than in standard sleepers, because tips in standard cars are more generous.

While, of course, the accommodations in tourist are presumably not as good as in standard cars and a less rate charged by reason of that fact, yet all of the services which the convenience and reasonable comfort of a passenger traveling in a Pullman car of any sort should be performed by the Pullman employees under the fare paid, and it is not right that the tourist cars be permitted to become dirty, as unquestionably they are in many instances, or that reasonable attention be not given to the passengers traveling therein because of the fact

that such attention nets the Pullman porter nothing which his salary does not cover.

**8. Dirty cars, with particular reference to tourist sleepers.**

We have already discussed a part of this complaint in the complaint just dealt with.

Too much care can not be urged with reference to sanitation of Pullman sleeping cars, whether tourist or standard. Necessarily when a large number of people are confined and required to sleep and live within the small space of a Pullman car, whether a standard or tourist, they are exposed to hazard that does not beset them in their own homes. Under these circumstances the utmost care should be exercised by the Pullman Company in seeing that its cars are kept clean and well ventilated; that its toilet facilities are of the best from the standpoint of sanitation; and no care, under reasonable expense, should be spared to preserve the health of passengers. From the complaints which have come to this Commission, and from our own observation, we are of the opinion that much can and should be done by the Pullman Company with a view to better sanitation and cleaner cars. Under acts of congress and the rules of this Commission sanitary drinking cups have been installed, but much complaint is made concerning the unsatisfactory character of the drinking cups now in use by the Pullman Company, and we are inclined to believe that much improvement can be made in this regard. But the utmost care, both en route and at terminals, should be exercised with a view to preventing contamination which will necessarily result from the bringing together of large numbers of passengers with small cubic air space for each, unless such care is exercised.

**9. Inattention of employees; and**

**10. Improper method of payment to conductors and porters and burdensome rules with reference to these employees.**

We will discuss these two classes of complaints together.

A great number of passengers have complained that they do not under ordinary circumstances receive the treatment to which they feel entitled and that unless liberal tips are given meager service is accorded. On the other hand, complaints have come from the employees of the company themselves to the effect that under the wages paid them they must get tips to live and that they are expected by their employers to get such tips. It is impossible for this Commission to reach a conclusion other than that the Pullman Company deliberately attempts to pay the employees which it hires from the gratuities given by the public. Every bit of evidence in this case would convince any one of sound judgment and ordinary common sense that this is true. The company pays its porters in tourist cars—where one would expect, under the company's theory, a less standard of qualifications than

in standard cars—a higher salary than the porters in charge of standard cars. Some of the best runs on limited trains give the poorest pay to the porters. The Pullman Company attempted to make this Commission believe that the wages it pays its employees are proper, and likewise to make this Commission believe that it did not expect its employees to secure money from the public. It is hard for us to determine which should be criticized the more, the attitude of this company in its action in this regard, or its supposition that it could make this Commission believe a thing which every one knows is not true, and which any man with ordinary common sense knows is not true.

It should be understood that this Commission is not attempting to reform or change the common practice of humanity and the common inclination of humanity to attempt to get a little bit the better of it if possible, and under these circumstances there probably always will be tipping by those who desire to get a little bit more attention than is accorded to their fellows. A study of gratuities will show that they are not a modern invention; and this Commission does not feel called upon to discuss the main question as to the propriety of gratuities in themselves, concerning which so much criticism has been presented to us. But we do believe it is compelled to consider the duty of this company with reference to turning to its own advantage the tipping habit.

The general manager of the Pullman Company suggested that \$27.50 is a good wage for a negro porter. This Commission would accept with better grace a frank statement from the general manager of this company to the effect that this company believes the public will tip, and therefore it does not feel that it should be required to pay its porters a proper wage. It may be all right for a person who is traveling to reward particularly good service by some gratuity; upon this, of course, we do not pass. Certainly if a man feels so inclined he should be permitted to be generous; but the Pullman Company forces its patrons to be generous or not get service. And it is impossible for any one very much to blame the employees of this company for doing that which they must do in order to live, nor should any thoughtful person expect for a moment that being required to get tips in order to live the employees of this company will make it to the interest of the traveling public to give tips. It certainly is a commentary on modern business that a company as rich and as powerful as this one here in question, should feel inclined to stoop to the disreputable practice to which it feels called upon to resort. American civilization can and must accord to those who work for such civilization a proper amount for such service as a right and not as a charity. If this company is so poor that it can not pay these men a proper amount for their services

and must turn them loose upon its patrons, requiring them to secure from such patrons that wherewith they may live, then a generous and fair-dealing public should accord to this company more in its rates. But if, as we are inclined from the investigation we have made up to this point to believe, we find that this company is a very prosperous concern and is paying to its stockholders very liberal dividends, and is probably getting from the American public very liberal rates, then we say, without any hesitation whatsoever, that the severe criticism of the American public is justly due such an institution. If, on investigation, it be found that this company is not securing enough from its rates in order to enable it to pay decent wages to those employed by it, then its rates should be raised and the increase required to be accorded to these men who are employed by this company. But if, on the other hand, on investigation it be found that its rates are generous and that this company is not poor but merely mean, and that the American public is dealing not only justly but generously with this institution, which in its turn deals unjustly and niggardly with its employees, then the American public certainly would be justified in at least dispensing with the generosity and limiting this company, conducting itself as it is, to the barest amount that the cold considerations of justice warrant it in securing.

It is our opinion that the time has passed in this State and in this Nation when institutions such as the Pullman Company can be or should be permitted by public authority to indulgence which requires the traveling public to be generous in giving tips whether it wants to or not, and which requires the employees of this company from necessity to resort to whatever means they have in their power to secure the necessary amount which, added to their salary, will enable them to live.

Since instituting this investigation many things have occurred which lead this Commission to believe that this company is designedly attempting to make its employees believe that this Commission is attempting to take from them what they consider their prerogatives and to bring about a condition which will leave such employees worse off than they now are.

A commercial traveler testified before this Commission that he could not get a lower berth on a train, but in the morning saw a Pullman conductor coming out of a lower berth. While there were many more serious complaints, mainly directed toward the niggardly pay of these same conductors and the porters of this company, to remedy which this company has done not one thing, yet we find it immediately putting in a rule that all of its conductors must sleep in upper berths regardless of how many occupants there are in the car; and there has come to the attention of this Commission cases where in a Pullman car only



partially filled with passengers, the conductor is required nevertheless to sleep in an upper berth. Likewise, this company requires a payment from its Pullman porters for every bit of linen or every other article taken out of the cars by passengers. While we do not deny that some means of protection should be at hand for protecting this company from porters who are dishonest, if there be such, still this necessity does not lead to the conclusion that all the porters are dishonest. Likewise, it has come to the attention of this Commission that heretofore for very good service this company gave a bonus of one month's salary to its employees and that this investigation has been taken as an excuse for denying to some of these same employees the bonus heretofore accorded them.

Nowadays there is a considerable amount of complaint on the part of those who have, that those who have not are seeking to take away from them by confiscation (this is the favored word) their property. This Commission, of course, believes in law and the government of law. We likewise believe that government should be and is adequate to the needs of the governed, and an institution, such as the Pullman Company, resorting to the practices we have just been discussing, certainly does not create a better public sentiment toward large financial institutions nor does it create a very strong belief on the part of the public in the patriotism and the integrity of such institutions. Laws are made for the protection of all alike, and no one may demand that those laws be enforced which protect him from some one else and deny that those laws which protect some one else from him shall likewise be enforced.

The law of fair play and fair dealing requires that this company change its system with reference to the payment of its men, and the public has a right to demand it independent of the rights of the employees of this company, and unless this company recognizes the laws of fair play and fair dealing when they may operate against it in some slight degree and cost it some small amount, it need not complain if ultimately some one else adopts the same view and says that the law of fair play and fair dealing shall not be urged by this company when some one is trying to do that which is unjust to it.

It is with a great deal of regret that we feel called upon to make this strong criticism of this company. This Commission has attempted to demonstrate that public authority can and will be fair, but it is our firm conviction that the reputation which apparently justly belongs to the Pullman Company has made it heretofore and will in the future make it harder for not only the Pullman Company but other and unoffending corporations to secure that just treatment to which they are entitled.

No order will be made in this case at the present time. This Commission expects this company at once to take steps to remedy the

conditions we have found should be remedied, and we expect this company at once to see to it that a condition is brought about whereby its employees are not required to live off the public, and if the public does give its employees any gratuities such gratuities are given because of a feeling of generosity on the part of the public and not because of a feeling of necessity. If within thirty (30) days from the date hereof this company has not remedied the conditions herein criticised in a manner satisfactory to this Commission, and has not accorded to its employees such wages as will relieve them from the necessity of securing a living from the public, an investigation will be instituted into the rates of this company with a view to determining whether it is necessary for this company to be permitted to raise its rates so that it may do justice to its employees or the present scale of rates are sufficient to permit it so to do or too high to be permitted to be charged in the future.

Dated at San Francisco, California, this 25th day of April, 1914.

---

Decision No. 1461, grade crossing; not printed. See end of volume.

DECISION No. 1462.

IN THE MATTER OF THE APPLICATION OF THE BOLINAS  
WATER AND POWER COMPANY FOR PERMISSION TO  
REVISE RATES FOR DOMESTIC WATER SERVICE.

---

Application No. 896.

*Decided April 28, 1914.*

---

*Held.* That the present rates of applicant are insufficient to maintain operating expenses and a reasonable return upon capital invested. Applicant directed to install a meter for each of its consumers before June 1, 1914, upon which date just and reasonable rates prescribed will become effective.

*N. P. Yost and Sherman R. Smith*, for Bolinas Water and Power Company.

*John F. Locke*, for Consumers.

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This application was filed with the Commission subsequent to the investigation of a number of informal complaints in regard to the adequacy of service rendered by the Bolinas Water and Power Company, particularly during the summer of 1913.



In answer to these complaints the proprietors of the Bolinas Water and Power Company had raised the issue that their returns were inadequate, and that without increased returns and proper regulations of amounts of water now used by a number of consumers under flat rates it would be impossible to render more adequate service than in the past.

This company obtains its water supply from Cronin Gulch and transmits its supply to the village of Bolinas through a 4-inch pipe and distributes it through 2-inch pipe lines among its consumers. It has installed an equalizing tank of 50,000 gallons capacity at practically the highest level to which it serves water, and as well has installed a 10,000-gallon tank, which was used for the purpose of filling sprinkling wagons used in the maintenance of county roads.

A hearing was held in this matter in San Francisco on January 2, 1914, and at the same time and place a hearing was also conducted in Case No. 491, being the complaint of *Florence Locke vs. Bolinas Water and Power Company*, alleging inadequate supply of water and inefficient equipment, in which case it was stipulated that the information obtained should be used in deciding upon the application.

The right to obtain water in Cronin Gulch by this company was based upon an agreement, the life of which supposedly would terminate in April, 1914. This agreement was by and between the heirs of Samuel S. McCurdy, party of the first part, and Sherman R. Smith and Nicholas P. Yost, parties of the second part; and in effect grants an option to the parties of the second part to purchase at the rate of \$25.00 per acre, a certain part of the watershed of Cronin and Union gulches in Marin County. The land to be purchased was described only in part, and was to be measured by an engineer chosen by the two parties.

It was agreed that the parties of the second part should also pay, during the life of this option and agreement, 20 per cent of the gross proceeds obtained from the sale of water taken from these gulches. An indefinite provision of the agreement appeared to allow the parties of the second part a further option of five years, under which, however, the party of the first part might sell and could demand the surrender of all claim upon the watershed area.

It was found that the agreement had no date excepting that upon the back of the cover there appears the wording:

“Date: April -----, 1909.”

There was no affirmation of any of the several signatures excepting that of Sherman R. Smith, dated November 6, 1913; nor was the agreement recorded until November 7, 1913.

It is claimed by both the utility and its consumers that this is the most logical source of supply, and, in fact, practically the only reason-

ably satisfactory source available for the village of Bolinas. However, in view of the arrangement or agreement then in effect, and the further fact that the estate from which this water supply is obtained had passed to one C. H. McMaster, who also is deceased, a request was made during the course of the hearing that this very indefinite status of the right to divert water for use in Bolinas be immediately cleared up, either by purchase or by a definite form of agreement with the existing heirs of C. H. McMaster.

The evidence is deemed to have established beyond doubt the fact that at least during 1913 the service by this company was entirely inadequate, at least in certain portions of the village of Bolinas. It is claimed by the consumers that this is largely due to the inadequacy of supply at the source, and particularly by extraordinary use of water at the McCurdy ranch, insufficient capacity of all mains and lack of storage facilities. To these causes, which are practically admitted, the company adds the contention that shortage at certain times was due to extraordinary use of water by those living on lower levels, who, under the flat rate applied in the past, have been beyond regulation, as to amounts used.

It further developed during the hearing that indefinite amounts of water were used for sprinkling of roads at times of known insufficient supply in the town. There is no positive record of the time or times that water was taken for this use, nor of any returns received from water so furnished. The company claims the amount to have been small, and that practically no water was taken from the system of this company during June, July and August, 1913. However, undoubtedly water was used and more probably in those months than in other months of greater rainfall; and this service should be discontinued at all times when the water may be needed for domestic purposes.

Rates charged various consumers in the past have been based, only to a small extent, upon the amounts of water used. For instance, it appeared that a livery stable owned by Sherman R. Smith, one of the proprietors of this system, made no greater monthly payment than did a number of private residents where no water was used during a large part of the year, yet this stable furnished water for as many as twelve head of horses besides all transient business.

Looking to the establishment of rates it is necessary to determine upon the reasonable charges that the company may demand from its entire service, which, according to established precedent, should include returns upon the investment, a fund to replace property when depreciated and the current expenses of maintenance and operation.

In testimony the company claims to have paid for the system and expended in completion of construction five years ago the sum of

\$6,700.00, and that they have since expended some \$2,000.00 properly chargeable to capital account. In the application herein they claim a property value of \$9,526.00.

The engineers for the Commission estimate the reproduction cost of this property to be \$8,768.00 and the present depreciated value \$7,446.00. In this estimate the Commission's engineers have eliminated the following items contained in the inventory of the company:

Stable and storehouse -----	\$700 00
Team of horses -----	300 00
Wagon and harness -----	110 00
Thousand gallon water tank -----	117 00
Total -----	<u>\$1,227 00</u>

These items do not appear to be necessary or essential, as property of a company maintaining and operating so small a system as this. The little transportation of materials necessary here is generally handled by smaller companies by hire, and the livery stable at this place is always available for this purpose.

The necessary annual charges requested by the company are as follows:

Interest -----	\$500 00
Depreciation -----	200 00
Maintenance and operation -----	528 00
	<u>\$1,228 00</u>

By the Railroad Commission:

Interest, 6 per cent on \$7,500.00 -----	\$450 00
Depreciation -----	330 00
Maintenance and operation -----	478 00
	<u>\$1,258 00</u>

There are so many indefinite points in the entire affair that it is not necessary to go into greater detail. The only item to be added to each of the foregoing is the requirement by the agreement hereinbefore cited, and which will continue to be in effect as will be explained, that 20 per cent of the gross income shall be paid for rental of the watershed. This is estimated by the company to be \$150.00 per annum, and will be so considered pending results under the Commission's order during the coming season.

The estimate of the Commission's engineers being so nearly the same as the original cost I will consider their results to show the proper value of this property. The rates to be established must not be so high that the consumer will be burdened unreasonably and it may be that the rate of interest obtained by the company above the expense of maintenance and operation and depreciation of plant will not reach 6 per cent on the investment. It appears that the affairs of this com-

pany have been mismanaged in the past and also that some part of the investment may not have been judiciously made by the officers of the company. While it is proper that the utility should obtain a reasonable return, this should be only upon the amount judiciously invested and to pay for maintenance and operation under proper methods of management. The company definitely stated during the hearing that it planned to install an additional storage tank, similar to that already in place, of a capacity of 50,000 gallons or more, and to place meters upon all service connections with the company's system. This will require an added investment,

For the tank about.....	\$600 00
For 50 meters about .....	500 00
	<hr/> \$1,100 00

and at 6 per cent would add to the annual charges during the coming year \$66.00. Depreciation would be about \$34.00, or the total addition to the income, properly to be expected with a regularly established going concern, would be \$100.00, and the total annual charges, including \$150.00 for rental of watershed will make, by the estimate of the Commission's engineers, \$1,508.00.

The testimony in this case establishes the fact that about forty-four consumers are connected with the system, and may be reasonably expected to demand water service. As has before been stated, it is impossible to determine closely how much water will probably be used by these different consumers. The rates charged, from which the company received during 1913 some \$765.00, are purely flat rates by the year, varied by the extent of the consumers' property, but are not, by any means, necessarily in proportion to the amounts of water used, or likely to be used, by the individual consumers.

Subsequent to the hearing there was filed with the Commission an agreement executed by and between several persons who are alleged to be the sole legatees and devisees of the late C. H. McMaster and the proprietors of this company, which agreement refers to the text of the original agreement described herein and fixes the time for which that agreement shall remain in force by extending it to the 19th day of October, 1916.

It appears that the company is, therefore, in as good a position as regards the sources of their water supply for the period above mentioned as they have been during the past five years.

Further, the Commission is informed by N. P. Yost, president of the Bolinas Water and Power Company, that an additional storage tank of at least 50,000 gallons capacity is being erected and that meters have been purchased for installation upon the connections with the company's system. Therefore, it is probable and reasonable to suppose that the

company is physically capable of rendering efficient service and, therefore, is entitled to such increase of rates as is reasonable and proper for the company to expect to receive, such rates, however, not to be in excess of the amounts that consumers are able to pay.

It is my opinion that the following rates should be made effective upon the establishment of meters:

Minimum payment per month, payable in advance, for which consumer will be entitled to 400 cubic feet, or 3,000 gallons per month-----	\$1 50
Excess use, payable monthly, per 100 cubic feet-----	25
Rental for fire hydrants not on meter, such as have been installed, per year -----	6 00
Public use, including amounts for sprinkling of county roads, per 100 cubic feet -----	25

Should there be forty-four consumers paying the minimum rate, regularly, returns from this source will be \$844.00 per annum. It is assumed that at least twenty consumers will use excess water supply during some portion of the season. Based upon such use in a number of similar localities during the four months of the year these consumers may be expected to use 1,000 cubic feet monthly, or a total use of 48,000 cubic feet and would return \$120.00. In addition, there would be some certain public use, which appears to be beyond possible estimate. Without such public use the returns recited amount to \$964.00; allowing one fifth for rental of watershed there remains \$771.00 income per annum.

Based upon the estimate of the Commission's engineers this will be sufficient to return approximately maintenance and operation and depreciation accounts, but it is probable that the rates will not give a full return upon the investment. However, it is my intention that this decision should be considered to have force for one full season, and will then be subject to a reconsideration of all matters involved, when the use and probable future developments will be more definitely known.

I find as a fact that while the service rendered by the Bolinas Water and Power Company in the past has not been adequate, within the knowledge of the Commission, this company is making certain improvements that will most probably enable it to give adequate service.

Further, it is probable that at least a part of the reason for past inadequacy of supply in higher portions of the village of Bolinas is due to lack of regulations of use in lower portions and that, therefore, it is reasonable that the company be allowed to install meters and establish a metered rate.

I recommend the following form of order:

**ORDER.**

Application having been made by Bolinas Water and Power Company to establish increased rates, and a hearing having been held, and it having been found that a remodeling of rates possibly amounting to

increased returns to the company will be of benefit to the general service,

*It is hereby ordered* that prior to June 1, 1914, applicants shall, at their own expense, install a meter for each of their consumers, except that fire hydrants installed, or to be installed, may not be so provided.

*It is further ordered* that the applicant herein shall put into effect the following schedule of rates:

Minimum payment per month, payable in advance, for which consumer will be entitled to 400 cubic feet, or 3,000 gallons per month----	\$1 50
Excess use, payable monthly, per 100 cubic feet-----	25
Rental for fire hydrants not on meter, such as have been installed, per year -----	6 00
Public use, including amounts for sprinkling of county roads, per 100 cubic feet-----	25

*It is hereby further ordered* that this schedule of rates shall become effective June 1, 1914, and that where flat rate payments have been made, reasonable and proper adjustment shall be made in the accounts of all consumers, adjusting charges to that date.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of April, 1914.

---

Decision No. 1463, grade crossing; not printed. See end of volume.

#### DECISION No. 1464.

IN THE MATTER OF THE APPLICATION OF O. F. GOODRICH,  
DOING BUSINESS UNDER THE FICTITIOUS NAME AND  
STYLE OF ANTELOPE VALLEY TELEPHONE COMPANY,  
FOR AN ORDER AUTHORIZING AN INCREASE IN  
CHARGES.

---

Application No. 715.

*Decided April 28, 1914.*

---

Applicant, contending that the present rates derived from his telephone system, operated in Lancaster and adjacent towns, are insufficient to cover operating expenses and a fair return upon capital invested, petitions the Commission for permission to increase said rates, and also to demand a deposit of \$5.00 from prospective customers.



*Held*, That the present rates are unjust, though not to the extent claimed by applicant, just and reasonable rates prescribed, provided such rates shall include sixteen-hour service in lieu of twelve-hour service now in effect. Application for permission to demand a \$5.00 deposit from prospective customers denied, pending the further order of the Commission with regard thereto.

Wm. B. Ogden, for Applicant.

#### REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is an application for an order of this Commission authorizing an increase in rates for telephone service by the Antelope Valley Telephone Company. This company, of which the applicant, O. F. Goodrich, is the sole owner, operates a telephone exchange in the town of Lancaster with lines serving the adjacent towns of Del Sur, Elizabeth Lake, North and South Portal, Fairmont and Howards Camp in Los Angeles County, California.

Statements of revenue, expenses, and investment purporting to show that this company is being operated at a loss equal to approximately 20.5 per cent of the amount claimed as the applicant's investment have been filed with the application as exhibits, and on this showing of loss the Commission is asked to authorize a general increase in rates.

The application was heard in Los Angeles on January 8, 1914. The hearing developed the fact that the statements referred to are incomplete and incorrect in various respects and, for this reason, the showing as to loss is not a correct showing. A review of the testimony and of statements subsequently submitted at the direction of the Commission, by eliminating certain objectionable items in the original statements and those subsequently filed, indicates that instead of this company's operations showing a loss, the company may actually be earning a small profit.

However, since the present schedule of rates limits the classes of service now offered, and since there may be some uncertainty as to some of the items of operating expenses which might be properly admitted, and since certain matters affecting the service appear to require modification, a revision of the present rates should be provided for.

I shall now discuss those features of these various statements which appear objectionable. The service now furnished and the rates now charged by the applicant are as follows:

One-party .....	\$2 50 per month
Ten-party within the town limits of Lancaster.....	1 00 per month
Ten-party beyond two miles from the town of Lancaster..	1 50 per month
Toll stations .....	5 00 per month
Extensions .....	1 00 per month

The rates which the applicant proposes to charge his patrons are as follows:

**Equipment and Rates.****BUSINESS.**

Class of service	Wall set	Desk set
One-party -----	\$3 00	\$3 50
Two-party -----	3 00	3 50
Four-party -----	2 50	3 00
Ten-party -----	2 00	2 50
Extensions -----	1 00	1 00

**RESIDENCE.**

One-party -----	\$3 00	\$3 50
Two-party -----	2 50	3 00
Four-party -----	2 00	2 50
Ten-party -----	1 50	2 00
Extensions -----	1 00	1 00

The application and exhibits were drawn during the month of October and filed with the Commission on November 1, 1913. Exhibit "A" is a statement showing the classification of subscribers and the rates paid as of the date of the application and the total revenues derived through these rates, as follows:

37 ten-party subscribers at \$1.00 per month-----	\$37 00
5 ten-party subscribers at \$1.50 per month-----	7 50
2 two-party subscribers at \$1.75 per month-----	3 50
5 one-party subscribers at \$2.00 per month-----	10 00
1 one-party subscriber at \$2.50 per month-----	2 50
3 toll stations at \$5.00 per month-----	15 00
3 contracts with city of Los Angeles-----	10 00
56 subscribers -----	\$85 50 revenue.

Exhibit "B" is a statement of toll business for a period of one year ending September 20, 1913, and showing the average monthly toll receipts to be \$4.50.

Exhibit "C" is a statement showing the average monthly expenses of operation as follows:

Office rent, light and fuel-----	\$14 00
Operators' salaries-----	17 10
Manager's salary-----	90 00
Postage, printing and stationery-----	3 00
Repairs and up-keep-----	25 00
Total -----	\$149 10

Exhibit "D" is a statement of investment, showing the total valuation of the property to be \$4,901.50.

It will be noted that Exhibit "C" indicates an operating expense of \$59.10 per month in excess of the total revenues in Exhibits "A" and "B," which aggregate \$90.00 per month. The applicant adds to this deficit, interest on the investment at 6 per cent per annum and alleges that on this basis the monthly loss is \$83.60, which, as above stated, represents an annual loss approximating 20.5 per cent of the investment.

A comparison of the applicant's present rates, as shown in the application, with the classification shown in Exhibit "A," and the applicant's testimony disclosed certain discrepancies, as a result of which the applicant was directed to submit to the Commission a corrected classification of subscribers and rates which they were then paying. This corrected classification has been submitted and will be alluded to later.

The testimony also shows that the statement of toll revenues indicated in Exhibit "B" represents only a very small portion of the actual total monthly toll revenues.

Exhibit "C" contains a note explaining that the operators receive as part compensation for salaries certain commissions allowed the applicant by The Pacific Telephone and Telegraph Company for the collection of its long distance tolls. These commissions are paid by that company under the terms of a so-called connecting agreement providing for the interchange of service between the two companies. The testimony shows also that the applicant has in effect certain toll charges not heretofore filed with the Commission for switching between points on his lines beyond Lancaster, 15 per cent of which the operators also retain as part compensation for salaries, and that the toll revenues shown in Exhibit "B" represent only the 85 per cent of these tolls which go to the applicant and no part whatever of the tolls of The Pacific Telephone and Telegraph Company above referred to. The applicant's statements of receipts, Exhibits "A" and "B," should, of course, include the total amount of revenues accruing from subscribers' monthly rates and the total receipts from commissions paid by The Pacific Telephone and Telegraph Company and from the applicants' own line charges without reference to operators' salaries, and the latter should be shown under expenses of operation as amounts actually paid whether as commissions or as straight salaries.

The testimony shows further that, in addition to commissions paid by The Pacific Telephone and Telegraph Company, the applicant is allowed by that company \$5.00 per month in lieu of any office rent, which amount has not in any way been accounted for either under receipts or expenses. The corrected classification referred to above, showing subscribers in service on the date of this hearing, shows a total monthly revenue from subscribers' monthly rates of \$103.00

instead of \$85.50 as was originally shown by Exhibit "A." This corrected classification as submitted by the applicant is as follows:

Number of stations	Class	Rate	Revenue
<b>BUSINESS STATIONS.</b>			
16	One-party -----	\$2 50	\$40 00
4	Ten-party -----	1 00	4 00
1	Ten-party -----	1 50	1 50
6	Extensions -----	1 00	6 00
<b>RESIDENCE STATIONS.</b>			
5	Ten-party -----	1 50	7 50
34	Ten-party -----	1 00	34 00
2	Toll stations -----	5 00	10 00
68			<b>\$103 00</b>

The Pacific Telephone and Telegraph Company was directed, on September 11, 1913, to file with the Commission a statement showing the amount actually paid in commissions to the applicant from January 1 to September 1, 1913, and the total amount of its toll charges on messages originating on the applicant's lines for an average period of six months. This statement has been filed and shows that, during the period of eight months from January 1st, the applicant was paid an average of \$31.40 in commissions by The Pacific Telephone and Telegraph Company. Taking the applicant's Exhibit "B" as representing 85 per cent of the average monthly amount of his own line tolls, I find that the total monthly average toll revenue from this source is \$5.30. Adding to these two items of toll revenue the sum of \$5.00 per month allowed by The Pacific Telephone and Telegraph Company in lieu of office rent, the total monthly receipts appear as follows:

Subscribers' rentals -----	\$103 00
Pacific company tolls -----	\$31 40
Line charges -----	5 30
	<b>36 70</b>
Allowance by Pacific Company -----	5 00
	<b>Total ----- \$144 70</b>
Deduct operating expenses, Exhibit "C" -----	149 10
	<b>Monthly deficit ----- \$4 40</b>
Yearly deficit -----	\$52 80
Add to the annual deficit 6 per cent interest on the investment claimed by the applicant (\$4,901.50, Exhibit "D") -----	294 00
	<b>Total annual deficit ----- \$346 80</b>

On this basis the applicant would be operating at a loss of 7 per cent on his investment.

The Pacific Telephone and Telegraph Company is now paying the applicant 15 per cent on originating tolls and 3 cents on incoming mes-

sages. The applicant is entitled to 30 per cent of these originating tolls or its equivalent divided between originating and incoming business. In its statement filed with the Commission, The Pacific Telephone and Telegraph Company shows that its originating tolls, for the period of six months above referred to under the rates then in effect but which have since been revised by order of the Commission, amounted to \$1,121.80. Under the revised rates ordered by the Commission, this amount would be reduced to approximately \$1,049.80. The payment of 30 per cent on the latter amount would be approximately \$52.45 per month and with the operating expenses shown in Exhibit "C" would reduce the annual deficit to approximately 2 per cent of the investment claimed by applicant.

With reference to this statement of operating expenses, it will be noted an item of \$90.00 is included for salary of manager. According to the testimony, this amount is claimed by the applicant himself as manager, although he admitted that he resides in Los Angeles, where he is engaged in other business pursuits which occupy most of his time and attention. Occasional trips to Lancaster, averaging two or three per month, are necessary according to the evidence, and it is also necessary at times to employ a lineman in installing telephones, clearing trouble on the applicant's lines, etc., and the applicant states that he has paid for these expenses out of his personal funds. It is, of course, plain that such items of expense should come out of the proceeds of the business in whatever manner it may be proper to handle them, but it is apparent that the responsibility for the conduct of this business has been left largely to others, and it is my opinion that the salary expense under the present plan of management is not a legitimate expense and should not be allowed.

With reference to the employment of linemen, the applicant testified that this expense averages approximately \$48.00 per month. It will be seen by reference to the statement of expense that an item of \$25.00 has already been charged to maintenance, and if \$50.00 per month were allowed for this expense it would seem that this amount should be amply sufficient, since, according to the testimony, the total average expense of employing linemen including those costs which are not properly chargeable to maintenance, are under this amount.

Operators' salaries, including commissions, are shown in the statement of expenses to be \$40.00 per month. Service is now furnished during twelve hours of the day. There is more or less demand from the patrons of this company for additional hours of service and some of those desiring this have expressed a willingness to pay a higher rate if additional hours are granted. Others have protested against the increases for which the applicant is petitioning unless continuous

twenty-four hour service be granted. From the testimony it is not apparent that the present necessities of this community justify the additional expense which would be involved in providing twenty-four hour service, but it is my opinion that not less than sixteen hours' service is desirable. To provide for this additional cost, I am willing to recommend that the applicant be allowed \$10.00 per month additional for operators' salaries, which, according to his own estimate, will be sufficient to meet this additional expense.

Referring now to Exhibit "D," which is a statement of investment, this statement is not given in sufficient detail to indicate to the Commission that this valuation is reasonable and the applicant was accordingly directed to file an itemized inventory and appraisal of his property. This the applicant has done, but in this inventory the property is appraised at \$5,684.83 instead of \$4,901.50, the value originally claimed as shown by Exhibit "D." This revised valuation includes an item reading "Reconstruction, \$300.00," which the testimony shows was also included under the expenses of operation as a maintenance charge. It appears that the amount is that which is figured as the average annual expense of repairs and upkeep and as such should not be taken into capital account.

The revised valuation includes also supplies valued at \$846.81. This amount represents approximately 18 per cent of the applicant's own estimate of value of plant in service, and while it is, of course, necessary that a telephone utility carry a sufficient amount of supplies in stock to meet ordinary and reasonable requirements, there is apparently no justification for burdening rates with interest on a greater amount of supplies than the actual necessities of the business require.

Eliminating for the present these two items, amounting to \$1,146.81, the value of the plant actually in service according to this inventory is \$4,538.02. A careful examination of this inventory has been made by the Commission's telephone expert who finds, by applying average unit costs to the various items of plant contained in this system and by allowing average costs for subscribers' drop wires and for subscribers' station installations, which two items are not included in the inventory but to which the applicant is entitled, and by allowing 15 per cent for overhead charges, which the Commission's expert believes to be a reasonable allowance in this case, that the cost of reproducing this plant new would be \$4,463.59. This estimate of reproduction cost is so close to the applicant's valuation of the property that the applicant's valuation might be accepted by the Commission were it not for the fact, which is shown by the testimony, that no provision whatever has been made in the past for taking care of depreciation of the property. The applicant testified that por-

tions of the plant which were originally valued at approximately \$2,000.00 are nine years old; another portion originally valued at approximately \$200.00 is three years old, and the balance of the plant is approximately one year old. Certain portions of the plant have been paid for by the applicant's patrons in the form of bonuses, but the total amount received in this way is so small as to be negligible. It is apparent, however, that the present value of these other portions of the plant is not what they originally cost. The present value should, therefore, be determined as the basis for fixing rates and hereafter the applicant should be required to provide a depreciation fund out of revenues sufficient to maintain the plant to a proper or reasonable standard of efficiency.

It is evident that to deduct the average rate of depreciation claimed by telephone companies generally to determine the present valuation, the rate claimed by the various companies varying from  $6\frac{1}{2}$  per cent to 10 per cent, would be to deny the applicant credit for such work as has been actually necessary to keep the system working in the past. In my opinion, therefore, 4 per cent will fairly represent this depreciated value. On the basis of unit costs above referred to, the present value, after deducting 4 per cent for these years, would be \$3,629.05.

With reference to supplies, other telephone companies as a rule carry less than 2 per cent of the value of the plant which is in service. This amount would perhaps not be sufficient for the smaller companies and, under the circumstances in this case, I feel that this applicant should not be limited to this amount. An allowance of approximately  $6\frac{3}{4}$  per cent of the total plant value would be \$245.95, and although this percentage for supplies is more than should be ordinarily allowed, the amount in actual value is relatively unimportant and would bring the total valuation, inclusive of supplies, up to \$3,875.00.

Summarizing the situation from the foregoing, I find that the present revenues, expenses and investment are as follows:

<i>Revenues.</i>		
Subscribers' rentals -----	\$103 00	
Tolls -----	36 70	
Allowance by Pacific Company -----	5 00	
		\$144 70
<i>Expenses (exclusive of manager's salary, \$90.00).</i>		
Rent, light and heat -----	\$14 00	
Operators' salaries -----	40 00	
Printing, postage and stationery -----	3 00	
Maintenance -----	25 00	
		\$82 00
Net revenues per month -----		62 70
Net revenues per year -----		752 40

*Investment.*

Commission valuation, less depreciated value and including supplies -----	\$3,875 00
Applicant's valuation less maintenance only -----	5,384 83

*Rate of return on investment.*

Commission's valuation -----	19.4 %
Applicant's valuation -----	13.95%

This showing, however, does not allow anything additional for the payment of linemen's wages, which I have pointed out above should be allowed if the manager's salary is denied, nor does it allow for a future depreciation fund.

In its Decision No. 1008 in Case No. 387, which was a complaint of the city of San Jose involving the rates of The Pacific Telephone and Telegraph Company in San Jose and other adjacent cities, the Commission found after considering all the facts in that case that 5½ per cent would be a proper amount to be set aside for depreciation, and, while this amount was not fixed upon as a precedent to be followed in other cases, it is my opinion that it would be a reasonable rate in this case. By allowing \$300.00 a year additional for linemen's wages and 5½ per cent for depreciation, the rate of return on the Commission's valuation would be approximately 6 per cent.

By applying the rates which the applicant desires to charge and by including the payment of 30 per cent by The Pacific Telephone and Telegraph Company, and by adding to operating costs \$10.00 per month for operators' salaries, \$25.00 per month to maintenance and 5½ per cent for depreciation, the result would appear as follows:

*Revenues.*

Subscribers' rentals -----	\$135 00
Commissions on tolls -----	\$52 45
Line charges -----	5 30
	<hr/> 57 75
Total revenues -----	\$192 75

*Expenses.*

Rent, light and heat -----	\$14 00
Operators -----	50 00
Printing, postage and stationery -----	3 00
Maintenance -----	50 00
Depreciation -----	17 55
	<hr/>
Total expenses -----	\$134 75

Net revenue per month -----	\$58 00
Net revenue per year -----	696 00

*Rate of return on investment.*

Commission's valuation -----	17.96%
Applicant's valuation -----	11.3 %

It will be noted by reference to the schedule of rates which the applicant desires to charge his patrons that the rates for one and two-party



business and one-party residence service are identical. Aside from the objection to a schedule quoting similar rates for different classes of service, it is my opinion that the rates which the applicant desires to charge are unreasonable rates and that authorization to make them effective should be denied. However, as previously stated, it is my further opinion that the present schedule of rates will admit of some modification and a revised schedule has been drawn up as follows:

**Commission Schedule.****BUSINESS.**

Class of service	Wall	Desk
One-party -----	\$2 50	\$2 75
Two-party -----	2 00	2 25
Four-party -----	1 75	2 00
Ten-party -----	1 50	1 75
Extensions -----	1 00	1 00

Toll stations, \$5.00 per month.

**RESIDENCE.**

One-party -----	\$2 00	\$2 25
Two-party -----	1 75	2 00
Four-party -----	1 50	1 75
Ten-party -----	1 25	1 50
Extensions -----	1 00	1 00

Under this revised schedule, the corrected classification of subscribers and service as of the date of this hearing and the revenue resulting from these rates would be as follows:

**BUSINESS.**

13 one-party wall at \$2.50-----	\$32 50
3 one-party desk at \$2.75-----	8 25
3 ten-party wall at \$1.50-----	4 50
2 ten-party desk at \$1.75-----	3 50
6 extensions at \$1.00 -----	6 00
	<hr/>
	\$54 75

**RESIDENCE.**

39 ten-party wall at \$1.25 -----	\$48 75
-----------------------------------	---------

**TOLL STATIONS.**

Two toll stations at \$5.00-----	\$10 00
	<hr/>
	\$113 50

This will show revenues, expenses and return on the investment as follows :

<i>Revenues.</i>	
Subscribers' rentals -----	\$113 50
Tolls -----	57 75
	<hr/>
	\$171 25
<i>Expenses</i> -----	134 75
	<hr/>
Net revenues per month -----	\$36 50
Net revenues per year -----	438 00
<i>Return on investment.</i>	
Commission's valuation -----	11.3 %
Applicant's valuation -----	6.57%

Taking as the valuation of the property the Commission's valuation of \$4,463.59, from which depreciated value has not been deducted, and allowing 2 per cent of that amount for supplies, the return on this valuation under this schedule, allowing the same operating expenses including 5½ per cent for depreciation, would be 8.78 per cent.

In view of the foregoing, it is my opinion that the revised schedule shown above will constitute a reasonable schedule of rates and I shall recommend its approval.

The applicant asks the Commission also for permission to charge his patrons a deposit of \$5.00, returnable after one year with interest at 6 per cent, as a guarantee that subscribers will retain service for that period. So many complaints have reached the Commission from the patrons of various utilities in this State with reference to deposits that the Commission will in the near future institute proceedings calling into question the reasonableness of this practice, and while not denying the right of public utilities for reasonable protection against possible losses, I deem it advisable to withhold this permission for the present.

I, therefore, recommend the following order:

#### ORDER.

O. F. Goodrich, doing business under the fictitious name and style of Antelope Valley Telephone Company and owning and operating a telephone system as a public utility in the towns of Lancaster, Del Sur, Elizabeth Lake, North Portal, South Portal, Fairmont and Howards Camp and adjacent territory in Los Angeles County, California, having applied to this Commission for permission to increase the rates at present charged for patrons for telephone service and to institute a rule requiring his patrons to pay a deposit of \$5.00 as a guarantee that telephones will be retained for one year; and a hearing having been held thereon; and being fully apprised in the premises, the Commission finds as a fact,

(1) That the rates which the said applicant, O. F. Goodrich, owner of Antelope Valley Telephone Company, desires to charge his patrons for telephone service and more specifically referred to as follows:

**Equipment and Rates.**

**BUSINESS.**

Class of service	Wall	Desk
One-party -----	\$3 00	\$3 50
Two-party -----	3 00	3 50
Four-party -----	2 50	3 00
Ten-party -----	2 00	2 50
Extensions -----	1 00	1 00

**RESIDENCE.**

One-party -----	\$3 00	\$3 50
Two-party -----	2 50	3 00
Four-party -----	2 00	2 50
Ten-party -----	1 50	2 00
Extensions -----	1 00	1 00

Toll stations, \$5.00 per month.

are unjust and unreasonable.

(2) The Commission further finds as a fact that the following rates are just and reasonable rates to be charged by the applicant herein for the service indicated in the towns of Lancaster, Del Sur, Elizabeth Lake, North Portal, South Portal, Fairmont and Howards Camp and adjacent territory in Los Angeles County, California:

**BUSINESS.**

Class of service	Wall	Desk
One-party -----	\$2 50	\$2 75
Two-party -----	2 00	2 25
Four-party -----	1 75	2 00
Ten-party -----	1 50	1 75
Extensions -----	1 00	1 00

**RESIDENCE.**

One-party -----	\$2 00	\$2 25
Two-party -----	1 75	2 00
Four-party -----	1 50	1 75
Ten-party -----	1 25	1 50
Extensions -----	1 00	1 00

And basing its conclusions upon the foregoing findings of fact.

*It is hereby ordered* (1) That the application herein for permission to

charge patrons of said Antelope Valley Telephone Company rates for service as follows:

**Equipment and Rates.****BUSINESS.**

Class of service	Wall	Desk
One-party -----	\$3 00	\$3 50
Two-party -----	3 00	3 50
Four-party -----	2 50	3 00
Ten-party -----	2 00	2 50
Extensions -----	1 00	1 00

Toll stations, \$5.00 per month.

**RESIDENCE.**

One-party -----	\$3 00	\$3 50
Two-party -----	2 50	3 00
Four-party -----	2 00	2 50
Ten-party -----	1 50	2 00
Extensions -----	1 00	1 00

Toll stations, \$5.00 per month.

be and the same hereby is denied.

(2) That permission be and the same hereby is granted to said applicant, O. F. Goodrich, to charge patrons of the said Antelope Valley Telephone Company the following rates which are found to be just and reasonable rates to be charged by the said applicant herein for the service indicated:

**BUSINESS.**

Class of service	Wall	Desk
One-party -----	\$2 50	\$2 75
Two-party -----	2 00	2 25
Four-party -----	1 75	2 00
Ten-party -----	1 50	1 75
Extensions -----	1 00	1 00

Toll stations, \$5.00 per month.

**RESIDENCE.**

One-party -----	\$2 00	\$2 25
Two-party -----	1 75	2 00
Four-party -----	1 50	1 75
Ten-party -----	1 25	1 50
Extensions -----	1 00	1 00

Provided that the applicant herein shall provide not less than sixteen (16) hours' continuous service each day, Sundays and legal holidays excepted.

And provided, further, that, pending the further order of this Commission, the applicant herein shall not be permitted to require his patrons or prospective patrons to pay a deposit before installing telephones.

This order to be and become effective after thirty days from the date of filing with this Commission on the part of the applicant of a schedule of rates as hereinabove provided for.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of April, 1914.

---

DECISION No. 1465.

IN THE MATTER OF THE APPLICATION OF THE CITY OF  
SAN DIEGO FOR AN ORDER ESTABLISHING THE RATES  
TO BE CHARGED BY SAID CITY FOR THE DELIVERY  
OF WATER TO CONSUMERS OUTSIDE OF THE BOUND-  
ARIES OF SAID CITY.

---

Application No. 547.

*Decided April 28, 1914.*

---

*Held*, Just and reasonable rates to be charged by city of San Diego for water supplied outside the city limits found to be: Minimum per month, \$1.25 entitling consumer to 5,000 gallons; between 5,000 and 20,000 gallons, 15 cents per thousand; between 20,000 and 1,000,000, 10 cents per thousand; amounts over 1,000,000, 9½ cents, with an additional charge of ½ cent per thousand gallons for consumers west of filtration plant.

*Held*, After full review of the original cost, reproduction value, new and depreciated reproduction value: that \$3,500,000.00 is the reasonable value of the property owned and leased by the city of San Diego and operated by the city from and including the Morena system to the city limits, and is the sum on which a rate of return must be computed in this case.

*Held*, That Commission has the authority to determine the amount of value to be allowed for water rights.

*T. B. Cosgrove*, city attorney, for Applicant.

*Tyndale Palmer*, for head of San Diego Bay Consumers.

*Haines & Haines*, for Pacific Building Company.

*H. E. Doolittle, R. G. Dilworth and H. L. Titus*, for Southern California Mountain Water Company and Coronado Water Company.

*Leroy A. Wright and Allan Brant, for Encanto Water League.*

*C. J. Novotny, for H. R. Atwood.*

*J. C. Hizar, for City of Coronado.*

*Mathew Linn, in propria persona.*

*Robert F. Kerr, in propria persona.*

*O. H. Savage, in propria persona.*

#### REPORT OF THE COMMISSION.

**THELEN, Commissioner.**

This is an application by the city of San Diego for an order establishing the rates to be charged by the city to all its consumers of water at points outside of the city limits.

On October 28, 1912, this Commission rendered its Decision No. 218, on Application No. 169, authorizing the Southern California Mountain Water Company to sell to the city of San Diego a portion of its public utility water system, and to lease to the city of San Diego under an option of purchase the remaining portion of its system, with the exception of a small part, to which reference will hereinafter be made. (Vol. I, Opinions and Orders of the Railroad Commission of California, p. 520.) It was agreed that for the property to be purchased, the city of San Diego would issue \$2,500,000.00 face value, of its 4½ per cent bonds, and that for the property leased, which the city was given an option to purchase at any time within ten years for \$1,500,000.00, the city was to pay by way of rent annually the sum of \$67,500.00. Thereafter, on December 20, 1912, the Southern California Mountain Water Company executed its deed of conveyance to the city of San Diego, conveying the property to be sold, and also on the same day executed its indenture of lease, leasing to the city the property to be leased, as to which the city had been granted an option of purchase. The property sold to the city is in general described as follows:

1. The Barrett dam site and reservoir site, consisting of 936 acres of land, together with 824 acres in addition thereto adjoining and adjacent to the same, with buildings and construction plant, including all lands in the Barrett reservoir site to the 175-foot contour line above the bed of the stream at the Barrett dam site.

2. All the water rights on Pine Creek, and all the lands and riparian rights of the Southern California Mountain Water Company along Pine Creek and the Cottonwood Creek from the Dulzura conduit intakes to the international boundary line between the United States and Mexico.

3. The Dulzura conduit, running from and including the diverting intakes at the Pine and Cottonwood creeks, to the Dulzura Divide, said divide being near the center of section 10, range 2 east, township 18 south, San Bernardino meridian, with all the lands and rights of way

owned by the Southern California Mountain Water Company along the same. All flowage rights, riparian rights, rights of way and lands of the Southern California Mountain Water Company along the Dulzura and Janal creeks, from the western end of the Dulzura conduit, as above described, to the Lower Otay reservoir.

4. The Upper Otay dam and reservoir, consisting of 164 acres of land, together with the lands adjoining, appurtenant and adjacent thereto, consisting of 450.64 acres, subject to the shooting and fishing privileges of E. S. Babcock.

5. The Lower Otay dam reservoir, consisting of 1,000 acres of land, and the lands owned by the Southern California Mountain Water Company, adjoining, appurtenant and adjacent thereto, consisting of 1,421.18 acres, including all buildings, gardens, orchards and improvements thereon.

6. The pipe system and rights of way therefor, from the Lower Otay dam and reservoir to the University Heights reservoir, in the city of San Diego, with pipe walkers' houses along the same.

7. The Chollas Heights reservoir, consisting of 15.73 acres, together with the lands adjoining and adjacent thereto, consisting of 164.27 acres, and also the water filtering plant, with the land adjoining and adjacent thereto, consisting of five acres.

The property so acquired by the city of San Diego is made subject to the water rights of the Southern California Mountain Water Company on the Cottonwood Creek, east of the Barrett reservoir site, and to all of the property rights of the Southern California Mountain Water Company to lands lying east of the east line of the Barrett reservoir site, including the right of the Southern California Mountain Water Company to maintain the Morena dam and to catch, impound and store water in the Morena reservoir, and to take, draw and divert water therefrom, and to sell and deliver the same for domestic, irrigation and other purposes, outside of and beyond the water shed of the Morena reservoir, subject to the right of the city of San Diego to lease and purchase the same.

The property to be leased to the city of San Diego is described as follows: All the water rights of the Southern California Mountain Water Company on Cottonwood Creek above and east of the Barrett reservoir site; also the Morena reservoir and Morena dam, including all lands in the Morena reservoir and Morena reservoir site, and adjoining lands, together with the right to catch, store and impound water therein, and to take, use and draw from the Morena reservoir and Morena dam during the period of ten years, all the water which may flow into or become impounded in or flow through the Morena reservoir and dam, together with the right to use the natural bed of the Cottonwood Creek as an aqueduct from the Morena dam to the easterly edge of the Bar-

rett reservoir site; also the right to use all wagon roads and telephone lines upon the property and used in connection therewith (subject to the use of the telephone lines by the Janal Ranch at a reasonable rental). The city of San Diego is to pay for the lease of said property the annual rental of \$67,500.00, to be paid in twelve equal monthly installments, and is to maintain and keep all the property and the fences and buildings thereon in good repair and condition, at its own expense, and to make all necessary repairs and replacements. This agreement further provides that at any time within ten years from the date of the lease, the city of San Diego is to have the option, if it desires to do so, to purchase this property for the sum of \$1,500,000.00.

The property retained by the Southern California Mountain Water Company and not leased to the city of San Diego consists of the so-called Highland reservoir; pipe line and appurtenances, consisting of a pipe line from a junction with the so-called Otay-San Diego pipe line to a connection with the pipe line of the Coronado Water Company, and also of the Highland reservoir and the land on which the same is located.

On February 1, 1913, the city of San Diego went into the possession of the property which it had purchased and leased. Subsequent to that date, the city of San Diego has continuously remained in possession thereof and operated the same.

This property had been owned and operated by the Southern California Mountain Water Company as a public utility, and it was expressly provided in the Railroad Commission's order, to which reference has hereinbefore been made, that the city of San Diego should take the property subject to all of its obligations. The city of San Diego and all other parties agreed that with reference to the operation of this property outside of the city limits the city of San Diego is a public utility, subject to the jurisdiction of this Commission, as provided by section 23 of article XII of the constitution of this State and by the Public Utilities Act and other applicable statutes.

After the city entered into the possession of this property and began to operate it, disputes arose with various of its consumers receiving water outside of the city limits as to the price to be paid for water delivered by the city. The council of the city of San Diego thereupon, by resolution, directed the city attorney to proceed before the Railroad Commission "to have said Commission fix a rate for all consumers of water furnished by the city, outside the city limits of the city of San Diego." Hearings in this case were held in the city of San Diego on July 1, 1913, February 2, 3 and 4, and April 10 and 11, 1914. The delay between the first and second hearing was due to the length of time necessarily consumed by the applicant herein in preparing the very complete and painstaking statements which have been presented by the



city's hydraulic department, so as to give all possible assistance to the Commission in ascertaining the relevant facts bearing on this inquiry. The delay between February 4th and April 10th was required for a careful examination into the books of the Southern California Mountain Water Company, to ascertain the original cost of all the properties involved in this proceeding, which examination was conducted jointly by representatives of this Commission and the city of San Diego. The application was finally submitted on April 11, 1914, and is now ready for decision.

In analyzing the facts which bear on this application I shall consider the following subjects:

1. The city's outside customers;
2. The value of the property;
3. The rate of return;
4. Depreciation;
5. Operation and maintenance;
6. The rate.

**1. The City's Outside Customers.**

In its Exhibit "N" the city of San Diego shows that it has the following customers receiving water at points outside of the city limits: Southern California Mountain Water Company; Pacific Building Company; Fairmont Water Company; Encanto Mutual Water Company; Mathew Linn; O. H. Savage; W. A. Shaules; H. F. Thompson; D. H. Ryan; San Diego County; S. Enchenique; F. H. Piper; San Diego Land Company; and Robert Kerr. To these parties the city has been charging the following rates: Fairmont Water Company, 8 cents to 6 cents per thousand gallons, depending upon the amount used; Southern California Mountain Water Company, 8 cents per thousand gallons; Pacific Building Company, Encanto Mutual Water Company, Mathew Linn, D. H. Ryan, San Diego County, and Robert Kerr, 10 cents per thousand gallons; O. H. Savage, W. A. Shaules and H. F. Thompson, 20 cents per thousand gallons; S. Enchenique, F. H. Piper and San Diego Land Company, 25 cents per thousand gallons. The evidence shows beyond any possibility of contradiction that there have been serious discriminations in the rates charged for water and the city of San Diego is to be commended for its desire to remove discriminations and establish rates fair and just to all.

Of the foregoing customers, the first three, viz, the Southern California Mountain Water Company, Pacific Building Company and the Fairmont Water Company are securing water under existing contracts, providing specifically the amount of water to be delivered and the price to be paid, while the remaining customers are either receiving water under right of way contracts or in accordance with the terms of contracts which were heretofore entered into but have now expired, or

without any contract having existed. The earliest of the existing contracts was that between the Southern California Mountain Water Company and the Fairmont Water Company, dated March 4, 1907. Under this contract the Southern California Mountain Water Company agreed to supply not less than 250,000 gallons and not more than 3,000,000 gallons per month, to be delivered at a point in what is known as East San Diego, for a period of ten years at the following rates: For the first 250,000 gallons used in any one month, 8 cents per thousand gallons; for the second 250,000 gallons used in any one month, 7½ cents per thousand gallons; for the third and fourth 25,000 gallons used in any one month, 7 cents per thousand gallons; for all water used in any one month, over 1,000,000 gallons, 6 cents per thousand gallons. The Fairmont Water Company and the Pacific Building Company have been and are now receiving water under this contract, for distribution to their customers in the city of East San Diego.

The next existing contract in point of time is that dated May 24, 1911, and entered into between the Southern California Mountain Water Company and the Pacific Building Company. By this contract the Southern California Mountain Water Company agrees to deliver to the Pacific Building Company, for use on land therein designated, being a portion of the city of East San Diego, for domestic purposes only, from date until May 1, 1916, at the price of 10 cents for each 1,000 gallons of water taken, not less than 250,000 gallons and not more than 3,000,000 in any one month, with a minimum charge of \$25.00 per month. The water under this contract is being delivered by Pacific Building Company to a portion of its customers in the city of East San Diego.

The third existing contract in point of time is that which is contained in the agreement of lease, dated December 20, 1912, between the Southern California Mountain Water Company and the city of San Diego. This agreement, in addition to providing for the lease and option on the Morena properties hereinbefore referred to, and providing that the Southern California Mountain Water Company shall be released from all obligations to deliver water to the city of San Diego at the rate of 4 cents per thousand gallons, under the contract of December 11, 1905, also provides that the city of San Diego will sell and deliver to the Southern California Mountain Water Company all the water which the latter company may require to furnish and supply all demands of its present consumers now being furnished with water from the Highland reservoir pipe line, for the period of ten years, for the sum of 8 cents per thousand gallons, and after such period at such rate as may be established by the parties or by lawful public authority. This water is measured at the point of delivery where the Highland reservoir pipe line joins the Otay-San Diego pipe line. In order to establish the exist-

ing obligations of the Southern California Mountain Water Company, there is attached to the agreement a list of the water contracts of the Southern California Mountain Water Company covering the water delivered out of the Highland reservoir pipe line and also of consumers receiving water without contract. The parties receiving water from the Southern California Mountain Water Company through the Highland reservoir pipe line under contract then or theretofore existing are: Otay Valley Water Company, W. G. Evans, E. D. McRae, Lincoln Moore, and Coronado Water Company. Parties receiving water without contract then or theretofore existing are Otay Oil Company and J. C. Brady. The most important of the contracts is the one with the Coronado Water Company. This contract was entered into on February 6, 1912, four days before the formal offer from the Southern California Mountain Water Company to the city of San Diego was made. The contract provides, in part, that the Southern California Mountain Water Company will supply all the water which the Coronado Water Company may require to furnish and supply all the demands of its present customers for domestic and irrigation purposes, between the point where the pipe line of the Coronado Water Company joins and connects with the pipe line of the Southern California Mountain Water Company, and the southern boundary line of Coronado Heights, this particular supply of water to be limited to the amount now being used by the consumers of water between these two points. The contract further provides for the delivery by Southern California Mountain Water Company to Coronado Water Company of all the water which may be used for either domestic or irrigation purposes on North Island, the city of Coronado, Tent City, the brickyards and Coronado Heights for a period of ten years from date of the contract for the sum of 8 cents per thousand gallons. The contract further provides that it is to be a continuing contract, without any limitation as to the time when the obligation to supply water shall cease, and that the only changes to be made therein are as to the compensation to be paid and received for the water, as provided in the contract.

Among the the right of way contracts of the Southern California Mountain Water Company providing in part for the delivery of water, is an agreement dated April 11, 1905, with Mathew Linn, in which agreement, after providing for a right of way over Linn's land for the pipe line of the Southern California Mountain Water Company, it is provided that Linn shall at all times have the right to take water from said pipe line at the same rate and subject to like conditions, rules, and regulations as those fixed and made applicable from time to time to other consumers obtaining water from said pipe line. By subsequent

letter, dated April 9, 1907, the Southern California Mountain Water Company agreed to deliver the water at prices ranging from 8 cents to 6 cents per thousand gallons, depending upon the amount used, with a minimum charge of \$2.00 per month, entitling the user to 25,000 gallons.

The most important of the contracts which have expired was the contract of August 5, 1911, between Richland Realty Company and the Southern California Mountain Water Company, providing for the delivery of water up to the maximum of 4,000,000 gallons per month, to be used on property specifically described in the contract, and located at Encanto, Ex Mission Rancho, east of San Diego. The contract provided for a rate of 10 cents per thousand gallons and a minimum charge of \$25.00 per month for each of three meters. Most of the water used at or in the vicinity of Encanto was delivered under the terms of this contract. The contract expired on August 5, 1912, but the parties have proceeded as though it were still in effect, and H. R. Atwood, operating the local water distribution system at Encanto, is now receiving water from the city of San Diego under the same terms as those which were specified in this contract.

O. H. Savage had a contract dated August 24, 1911, for the term of one year, with the Southern California Mountain Water Company, for the delivery of water up to 1,000,000 gallons per month, at the rate of 10 cents per thousand gallons, with a minimum of \$25.00 per month, for use for domestic and irrigation purposes on lot 18, Ex Mission Rancho, and lot 20, Cave and McHattan's Addition, adjoining the Encanto tract on the west. This contract expired on August 24, 1912.

Robert F. Kerr had a contract dated January 9, 1912, with the Southern California Mountain Water Company, for the delivery of not in excess of 1,000,000 gallons of water per month, at the rate of 20 cents per thousand gallons, with a minimum of \$25.00 per month, this water to be used only on Beacon Hill, in the Ex Mission Rancho. This contract expired on January 12, 1913.

It is possible that there may have been some other contracts, but if so, this Commission's attention has not been directed to them.

Of the foregoing parties, the Fairmont Water Company, Pacific Building Company, Southern California Mountain Water Company, H. R. Atwood, Mathew Linn, O. H. Savage, and Robert F. Kerr appeared at the hearing and presented matters which they considered relevant to their particular situations.

## 2. The Value of the Property.

I shall consider this subject under the following heads:

- (a) Original cost;
- (b) Reproduction value new;
- (c) Depreciated reproduction value;
- (d) Value for purpose of this application.

*(a) Original cost.*

The Commission is fortunate in having secured in this case from the books of the Southern California Mountain Water Company the entire original cost in detail of the property which was sold and leased to the city of San Diego. A report containing this information and embodying the joint efforts of this Commission's auditing department and of the city of San Diego's hydraulic department was introduced in evidence at the hearing and will hereinafter be referred to as the joint exhibit. This exhibit shows the original cost of the property sold and leased to the city of San Diego as of January 31, 1913, as shown on the books of the Southern California Mountain Water Company, to have been as follows:

TABLE No. 1.  
Cost of the Properties Sold and Leased to the City of San Diego, January 31, 1913.

Description	Real estate and water rights	Improvements to property	General expenses	Interest	Miscellaneous improvements	Original cost	Purchase price
Property heretofore sold to city of San Diego -----	\$557,842 31	\$1,419,705 53	\$111,464 52	\$94,812 25	\$76,643 94	\$2,260,468 55	\$2,500,000 00
Morena property leased to city with right to purchase, to January 31, 1913.-----	40,715 07	643,663 29	36,354 45	139,454 06	33,509 98	893,696 85	1,500,000 00
Totals -----	\$598,557 38	\$2,063,368 82	\$147,818 97	\$234,266 31	\$110,153 92	\$3,154,165 40	\$4,000,000 00

It will thus be seen that the total cost of the property heretofore sold to the city for the sum of \$2,500,000.00, including real estate and water rights, improvements to property, general expenses, the interest charged on the books and miscellaneous improvements, was \$2,260,468.55. It also appears that the total cost of the so-called Morena property which the city has an option to purchase for \$1,500,000.00, including every item of expense shown on the books of the Southern California Mountain Water Company, was up to January 31, 1913, the sum of \$893,696.85.

The following table shows in more detail, according to particular portions of the system, the original cost as shown by the books of the Southern California Mountain Water Company of the properties heretofore sold to the city of San Diego:

TABLE No. 2.  
Summary of Properties Sold to the City of San Diego by Southern California Mountain Water Company, January 31, 1913,  
Showing Original Cost.

Description	Real estate and water rights	Improvements to property	General expenses	Interest	Miscellaneous improvements	Original cost
Barrett dam site.....	\$115,402 31	\$142,352 06	\$16,895 27	\$18,475 32	\$11,823 19	\$301,948 15
Dulzura conduit.....	22,402 16	445,617 66	9,057 82	27,131 41	16,674 37	520,885 42
Upper Otay dam.....	37,659 22	31,076 63	5,270 94	2,018 63	1,928 74	77,951 16
Lower Otay dam.....	359,162 61	237,282 69	45,630 82	18,104 93	22,287 72	482,768 77
Otay-San Diego pipe line.....	10,550 08	468,682 75	31,073 71	15,703 22	21,051 47	547,071 23
Chollas Heights dam and filter plant.....	5,038 10	94,681 74	2,943 74	12,827 14	2,878 45	118,369 17
Miscellaneous real estate.....	7,627 83		582 22	251 60		8,471 65
Totals .....	\$557,842 31	\$1,419,705 53	\$111,464 52	\$94,812 25	\$76,643 94	\$2,200,408 55



The original cost of these same items for the Morena property has already been given in Table No. 1. By adding the totals in Table No. 2 to the Morena figures in Table No. 1, the total original cost of the properties both sold and leased to the city of San Diego is secured, this cost amounting to \$3,154,165.40. The joint exhibit shows in very great detail the different items entering into the foregoing costs. The Southern California Mountain Water Company made no effort to impeach this exhibit, and it must be accepted as showing the original cost of these properties as contained in the books of the Southern California Mountain Water Company.

Before passing on to other matters, I deem it well to comment on certain items in connection with the original cost. I desire to draw particular attention to the fact that the entire sum paid for real estate and water rights was \$598,557.37, of which \$40,715.07 represents the entire amount paid under this head in connection with the Morena properties. It should be understood, however, that this sum does not represent to any considerable extent the payment of actual cash. Of this amount, the sum of \$275,000.00 represents 27,500 shares of capital stock of the Southern California Mountain Water Company at \$10.00 each, which shares were paid to Mrs. Isabella Babcock in exchange for a deed of property in the Lower Otay reservoir in the Janal Rancho, which property is stated in the deed to have an acreage of 155.05 acres, but which is claimed by the Southern California Mountain Water Company to have an acreage of 1,079.71 acres. The sum of \$78,134.02 represents certificates of capital stock of the Southern California Mountain Water Company, issued at par, in exchange for 163.36 acres of land purchased from the Otay Water Company in May, 1895, and located in the Lower Otay reservoir. The sum of \$55,115.00 represents capital stock of the Southern California Mountain Water Company, issued at par, in exchange for capital stock in the Mount Tecarte Land and Water Company, the ownership of which latter stock secured for the Southern California Mountain Water Company the ownership of land of an indefinite acreage. It will thus be seen that out of the total sum of \$598,557.38 shown by the books of the Southern California Mountain Water Company as representing the cost of real estate and water rights, the sum of at least \$408,249.02 is represented by capital stock of the Southern California Mountain Water Company. Diligent search failed to reveal the actual value of the real estate so secured by the issue of capital stock of the Southern California Mountain Water Company. The evidence shows that, while the average price paid for the lands secured from Mrs. Isabella Babcock on the basis of par value of the stock of the Southern California Mountain Water Company was some \$241.00 per acre and the average price of the lands secured from the Otay Water Company on the same basis was the sum of \$478.00 per acre,

the price paid in cash for lands in the Lower Otay reservoir varied between \$20.00 and \$98.00 per acre. It must be said, however, that these lands are not the land on which the dam is located, but are mostly located in the right branch of the reservoir itself. The Commission's attention was drawn to the fact that on June 7, 1894, the entire Janal Ranch, of which the lands thereafter conveyed by Mrs. Isabella Babcock constituted only a part, were sold at foreclosure for \$28,460.27, and that on November 14, 1894, these lands were sold to Mrs. Babcock for \$30,000.00. A portion of these lands was thereafter, on October 31, 1895, sold by Mrs. Babcock to the Southern California Mountain Water Company for \$275,000.00, face value, of capital stock of the Southern California Mountain Water Company, as hereinbefore indicated.

The books of the Southern California Mountain Water Company show that the entire sum paid by that company for water rights, apart from the purchase of lands, was in the neighborhood of \$12,500.00.

Considerable attention was given at the hearing to the question of interest during construction. It appears that the amount shown for interest on the books of the Southern California Mountain Water Company represents only interest on borrowed money and that no entry appears on the books to represent interest on money secured through other means, such as the sale of stock. It is, of course, clear that interest during construction should be allowed on all moneys, from whatever source secured, which were spent for capital account during a reasonable construction period. It is equally clear that no allowance can be made under this head for interest after construction has ceased and operation begun, and that the allowance can be made only for a reasonable construction period. For instance, if a dam can reasonably be constructed in five years, and, as a matter of fact, there were such delays and such mismanagement that it took twenty years to construct the dam, it would not be reasonable to allow interest during construction for a period in excess of five years. Likewise, if the dam was constructed in five years and the plant was in operation ten years thereafter until the time of the fixing of the rates, it is clear that interest during construction should not be allowed beyond the end of the five years, and that no allowance can be made under this head during the ten years of operation. It appears that the interest shown on the books of the Southern California Mountain Water Company covers all interest paid on moneys borrowed by Southern California Mountain Water Company from the time this company first incurred construction expenditures, in 1896, to January 31, 1913. As this system was actually placed in operation on August 12, 1906, it is evident that no interest during construction can be allowed subsequent to that date, and that to this extent the interest shown on the books of the Southern California Mountain Water Company does not properly represent interest during construction. It becomes necessary,

also, to determine a reasonable construction period for this system. It appears that work on the Morena dam was commenced in or about June, 1896, and was prosecuted for about two years, and that thereafter, during a period of about eleven years, practically nothing was done. The work was resumed in 1909 and completed in May, 1912. Although one of the witnesses for the Southern California Mountain Water Company testified that the period of sixteen years was a reasonable period for the construction of this dam, notwithstanding the eleven years of inactivity, very little weight can be given to this testimony. Mr. M. M. O'Shaughnessy, who was formerly the engineer of the Southern California Mountain Water Company, and constructed the Dulzura conduit and completed the Morena dam, stated that, in his opinion, five years would be a reasonable period for the Morena portion of the system, five years for the Upper and Lower Otay systems and the San Diego connection and three and one half years for the Dulzura conduit. The evidence in this case shows that the time of substantial construction on the Dulzura conduit was from June, 1907, to December, 1908; on the Lower Otay reservoir from November, 1894, to August, 1897; on the Upper Otay reservoir from October, 1898, to September, 1901; and on the pipe line from the Lower Otay dam to Chollas intermittently from September, 1900, to April, 1907, the period of continuous actual construction being not over two years. Of course, some allowance must also be made for the engineering investigation and other preliminary work. While the time actually consumed in construction was thus in certain cases less than Mr. O'Shaughnessy's estimate, and while I do not desire to be taken as accepting this estimate as correct in toto, the following table shows the result of a computation on Mr. O'Shaughnessy's estimate, with an allowance of 6 per cent for interest, as suggested by him:

TABLE No. 3.  
Reasonable Interest During Construction.

Portion of system	Construction period, years	Percentage, $\frac{1}{2}$ period at 6 per cent	Book cost, net	Reasonable interest during construction	Interest charged on books
Morena system -----	5	15	\$74,242 79	\$113,136 42	\$139,454 00
Dulzura conduit -----	3½	10½	503,754 01	52,894 17	27,131 00
Upper Otay, Lower Otay, Pipe Line, Chollas reservoir and filter plant -----	5	15	1,434,634 98	215,195 25	49,205 52
Barrett investigation --	2	6	286,472 83	17,188 37	18,475 32
Totals -----			\$2,981,104 61	\$398,414 21	\$234,265 84

It thus appears from the foregoing table that a fair and reasonable interest to charge during construction as against the Morena system on Mr. O'Shaughnessy's estimated construction period is \$113,136.42, as against the interest charge of \$139,454.06, appearing on the books of the Southern California Mountain Water Company, and that a fair and reasonable interest charge for the entire property would be \$398,414.21, as against a charge of \$234,266.31 appearing on the books of the Southern California Mountain Water Company as against the property sold and leased to the city of San Diego. It thus appears that, with this correction, the proper original cost of the Morena system would be \$867,379.21. By the same computation, it appears that the original cost to be assigned to the entire system would be increased from \$3,154,165.40 to \$3,318,313.85.

In establishing a value based on the original cost, some allowance must also be made for the cost of developing the business. In ascertaining the amount to be allowed under this head, it does not seem reasonable to include anything for the period during which the different portions of this plant have remained idle after they were constructed and ready for business. After operation commenced, however, it would seem proper to make some allowance for such deficit as there may have been below a reasonable return on the money invested. In this connection, however, consideration must be given to the operating profits of the Southern California Mountain Water Company subsequent to the year 1906, and also to the fact that if the owners of the Southern California Mountain Water Company, for the purpose of assisting in the development of the city of San Diego, and particularly of their own large property holdings there, saw fit to enter into a contract to sell water to the city of San Diego for 4 cents per thousand gallons, this being considerably less than the cost of the water, it does not seem reasonable to charge up the entire loss to the cost of developing the business. Such allowance will hereinafter be made for the cost of developing the business as under all the circumstances seems just and reasonable.

Before leaving the question of original cost, I also desire to draw attention to the fact that a considerable portion of the money which was spent was lost through mistake or bad judgment, as is always the case to a greater or less extent in large projects. A large portion of the original fill of the Morena dam was later torn out, involving a loss of at least \$25,000.00. An additional \$15,000.00 was spent when the plant was rehabilitated in 1909. The work on the lower dam at the Barrett site is of no avail, and more money and time than was necessary has

been spent in explorations at this point. Attention should also be drawn to the fact that the Morena reservoir has never been used to its full efficiency, and that the safe yield of the impounding system as now determined by this Commission's hydraulic engineers and by the city's hydraulic department is considerably less than was originally claimed for it by the Southern California Mountain Water Company's engineers. While a public utility should certainly not be penalized for its honest mistakes, I simply draw attention to these matters lest it be thought that they had been overlooked. Proper consideration will be given to them in establishing the value of the system for the purpose of this proceeding.

The Southern California Mountain Water Company introduced its Exhibit No. 11, showing the investment of the Southern California Mountain Water Company and interest at the rate of 6 per cent, both simple and compounded, from 1895 to January, 1913. While this statement shows a total of investment and interest at 6 per cent, simple interest, on July 1, 1912, amounting to \$4,942,573.77, and a total at 6 per cent, compound interest, on the same day, amounting to \$5,647,144.30, the statement has no value for the purpose of this case, for the reason that the interest is computed during the entire period of eighteen years, which is a most unreasonable period to be considered for construction purposes, and also because the interest is computed during the period subsequent to construction, when the plant was in actual operation, and no allowance is made for the net operating revenues during this period.

*(b) Reproduction value new.*

Estimates of the cost to reproduce new the entire properties owned and leased by the city of San Diego were presented by this Commission's hydraulic department, by the hydraulic department of the city of San Diego and by M. M. O'Shaughnessy. The following table shows the estimate to reproduce the impounding system new, as prepared by Mr. O'Shaughnessy, the estimate to reproduce the system new, as estimated by this Commission's hydraulic department, and also the depreciated reproduction value, as estimated by this Commission's hydraulic department:

**TABLE No. 4.**  
**Impounding System.**

Structures	Valuation by O'Shaughnessy	Reproduction cost by Commission's engineers	Depreciated reproduction value by Commission's engineers
<b>Morena dam</b> .....	\$1,074,542 00	\$951,297 00	\$938,757 00
<b>Barrett dam site</b> .....	50,000 00	26,550 00	25,134 00
<b>Dulzura conduit</b> .....	601,417 00	487,447 00	471,335 00
<b>Upper Otay dam</b> .....	45,744 00	41,540 00	37,139 00
<b>Lower Otay dam</b> .....	494,300 00	443,036 00	398,657 00
<b>Pipe line</b> .....	505,605 00	529,219 00	316,253 00
<b>Chollas Heights dam, filter plant and booster pump</b> .....	118,657 00	123,863 00	105,494 00
<b>Total structures</b> .....	<b>\$2,890,265 00</b>	<b>\$2,602,952 00</b>	<b>\$2,292,769 00</b>
<i><b>Lands.</b></i>			
<b>Morena reservoir</b> .....	\$733,125 00	\$112,955 00	\$112,955 00
<b>Barrett reservoir site</b> .....	488,600 00	48,400 00	48,400 00
<b>Dulzura conduit</b> .....	15,200 00	17,024 00	17,024 00
<b>Upper Otay reservoir</b> .....	93,181 00	30,615 00	30,615 00
<b>Lower Otay reservoir</b> .....	533,041 00	110,850 00	110,850 00
<b>Pipe line</b> .....	27,801 00	30,475 00	30,475 00
<b>Chollas Heights reservoir, filter plant and booster pump</b> .....	16,011 00	12,044 00	12,044 00
<b>Total lands</b> .....	<b>\$1,906,959 00</b>	<b>\$362,363 00</b>	<b>\$362,363 00</b>
<i><b>Water and Riparian Rights.</b></i>			
<b>Whole system</b> .....	<b>\$2,965,000 00</b>		
<i><b>Tools, Equipment, Supplies.</b></i>			
<b>Whole system</b> .....		<b>\$27,734 00</b>	<b>\$27,734 00</b>
<i><b>Summary.</b></i>			
<b>Structures</b> .....	<b>\$2,890,265 00</b>	<b>\$2,602,952 00</b>	<b>\$2,292,769 00</b>
<b>Lands</b> .....	<b>1,906,959 00</b>	<b>362,363 00</b>	<b>362,363 00</b>
<b>Water and riparian rights</b> .....	<b>2,965,000 00</b>		
<b>Tools, equipment and supplies</b> .....		<b>27,734 00</b>	<b>27,734 00</b>
<b>Totals</b> .....	<b>\$7,762,224 00</b>	<b>\$2,993,049 00</b>	<b>\$2,682,866 00</b>

The city's estimate of reproduction value new and of depreciated reproduction value, as prepared by its hydraulic engineer, Mr. H. A. Whitney, appears from the city's Exhibit "No. P," as follows:

TABLE No. 5.

	Reproduction cost	Annual depreciation	Total depreciation	Present value without overhead
Morena dam .....	\$1,062,681 40	\$16,710 57	\$16,710 57	\$1,061,660 39
Morena reservoir .....	794,426 32	1,899 02	1,899 02	804,415 21
Equipment, head of Cotton- wood .....				6 00
Equipment, Morena reser- voir .....				52,706 60
Barrett reservoir site .....	594,372 12	1,823 15	29,060 40	573,791 19
Equipment, Barrett reser- voir site .....				7,860 35
Dulzura summit .....	730 08	21 91	87 64	642 44
Equipment, Dulzura summit .....				56 05
Dulzura conduit .....	620,242 63	12,325 35	49,301 40	579,505 35
Equipment, Dulzura conduit .....				716 35
Lower Otay dam .....	415,730 31	5,666 17	90,558 72	329,919 05
Lower Otay reservoir .....	1,165,438 24	453 76	7,260 23	1,175,550 68
Outlet tunnel at Lower Otay .....	34,034 66	644 42	10,310 72	24,079 80
Equipment, Lower Otay .....				7,866 31
Upper Otay dam .....	46,591 66	980 38	15,686 40	31,368 84
Upper Otay reservoir .....	93,605 50	5 10	81 60	94,667 93
Harvey's Ranch .....	8,050 00	44 22	707 52	7,455 66
Equipment, Harvey's Ranch .....				925 68
Pipe line from Lower Otay to Bonita .....	329,907 10	8,243 87	131,916 72	200,960 24
Pipewalker's Ranch .....	4,220 56	54 62	873 92	3,346 64
Equipment, pipewalker's ranch .....				74 02
Pipe line from Bonita to University Heights reser- voir .....	181,824 96	4,409 02	67,400 32	116,141 01
Equipment, pipe line .....				6,976 93
Warehouse at Bonita .....	291 60	8 76	140 00	151 60
Chollas Heights reservoir .....	139,533 27	2,034 25	23,652 92	117,228 19
Telephone system .....				2,500 00
Meter house, University Heights .....	2,563 80	61 73	971 74	1,612 85
<b>Totals .....</b>	<b>\$5,494,244 21</b>	<b>\$55,386 30</b>	<b>\$446,719 84</b>	<b>\$5,202,215 36</b>
Rights of way and water rights along Cottonwood from Morena to Mexican boundary line .....				100,000 00
Pipe line right of way to pipe line Walker's Station in Telegraph Canyon, 101,204.3 feet at \$.25 .....				25,301 10
Water rights on Otay Creek—400 inches at \$1,500.00 .....				600,000 00
<b>Total including all rights of way and water rights .....</b>				<b>\$5,927,516 46</b>

The chief difference in the estimates as prepared by this Commission's hydraulic department on the one hand, and Mr. O'Shaughnessy and Mr. Whitney on the other, is the very large difference in the estimated value of lands and water rights. Mr. O'Shaughnessy estimated a value of \$500.00 per acre for lands in the different dams and of \$25.00 per

acre for adjacent lands. Mr. Whitney followed Mr. O'Shaughnessy's estimates. The result is that Mr. O'Shaughnessy estimates a cost to reproduce the lands new, amounting to \$1,883,407.50, which is more than three times the original cost of all the real estate and water rights, including all lands which were paid for by capital stock at par. In justification of a valuation of \$500.00 per acre for the lands in the reservoir sites, Mr. O'Shaughnessy referred to the valuation placed by Judge Farrington on the lands belonging to the Spring Valley Water Company in Lake Merced, near San Francisco, and also to one condemnation suit involving lands in the Sweetwater reservoir. It is, of course, elemental that the value of lands in a reservoir some 60 miles distant from the city of San Diego can not be ascertained from the value of the lands located a much lesser distance from a city having the population of San Francisco, and it seems clearly patent to me that it is not reasonable to assign a value to the lands in the reservoirs of the Southern California Mountain Water Company system based on a single condemnation suit in another reservoir. Mr. Whitney frankly stated that if these lands were to be purchased now without any reservoir thereon, he would not have to pay anywhere near \$500.00 per acre, and, in fact, would probably not have to pay in excess of \$75.00 per acre for any of this land. In assigning a value to these lands, it must also be borne in mind that the reservoir sites of the Southern California Mountain Water Company are by no means the only reservoir sites in San Diego County, and that this county is unusually rich in reservoir sites within a reasonable distance from the city of San Diego.

Referring now to water rights, Mr. O'Shaughnessy placed a value on water rights amounting to \$2,965,000.00. The evidence shows that the amount actually paid for water rights, apart from the land, was \$12,500.00. Mr. O'Shaughnessy justified this valuation on the ground of increased value in the land, due to the placing of water thereon. Based entirely on this estimated increase in the value of land subject to irrigation, Mr. O'Shaughnessy concluded that the value of an inch of water for this system is about \$4,800.00, but finally placed a valuation of only \$1,500.00 on this water. Why the valuation was reduced from \$4,800.00 to \$1,500.00 an inch does not appear, nor is there any substantial basis in the testimony for Mr. O'Shaughnessy's claim to a value of \$4,800.00 an inch. It is fair to Mr. O'Shaughnessy to say that, when his attention was drawn to the distinction between the value of a water right and the question whether the public utility has a right to claim that entire value for itself and to ask for rates high enough to yield a return on such value, Mr. O'Shaughnessy stated that he would not like to answer the question.

Mr. Lippincott, who also appeared as a witness in behalf of the Southern California Mountain Water Company, testified that he had



made no allowance for the value of water rights. His testimony on this point, as appears from page 656 of the transcript, is as follows:

“Well, in the first place, it is a difficult thing to estimate the value of water rights, and in the next place, as long as you have asked me, I will say that the value of a water right, in my judgment, is dependent upon the value of that product which is actually delivered less the cost of making the delivery, and when you take into consideration the cost of making the delivery, I do not consider those rights of very great value.”

Mr. R. W. Hawley, the Commission's hydraulic engineer, testified that, in his judgment, no allowance should be made for water rights in excess of the amount paid therefor, for the reason that the water has been provided by Providence, and that the right to use it should become vested in those using it instead of being used by the utility to advance its rates.

While the city's engineer estimated a value of \$700,000.00 for water rights, the city's attitude during this proceeding has been that it wanted a rate which was fair in view of all the facts of the case, and the city has at no time shown a desire to insist on a doctrine which leads to results which are inequitable.

This case illustrates clearly the tremendous importance to the people of this State of the claim made by certain water companies and other utilities that the value which adheres to the water which they convey to their customers belongs to the utility and that the utility is entitled to capitalize the full value of that water, entirely irrespective of its cost to the utility, and to collect a charge for water high enough to yield a return on such amount as the utility's experts estimate to be the value of the water or the water right. I do not deem it necessary at this point to discuss the authorities both in the state and federal courts bearing on this question, for the reason that, according to the press dispatches, this question has now been decided by the Supreme Court of the United States in the case of *San Joaquin and Kings River Canal and Irrigation Company vs. County of Stanislaus*. The question of the amount of value to be allowed is, of course, a question of fact, the determination of which still rests in this Commission. I desire at this time to draw attention to the grave consequences which may follow if the theories of value of water rights urged by various public utilities before this Commission are adopted. If it is true that the entire value of the water which a public utility secures by appropriation or otherwise belongs to the utility and that the public must pay rates on such value, it follows that where there is only one source of water supply for a municipality, the water utility has the right to capitalize the entire life of the municipality. And, in any case, the utility will have the right to take for

itself the entire increased value of land due to the placing thereon of the water, entirely irrespective of the fact that the people of this State have given to the utility the right to appropriate the water and that the actual price paid for the water may have been absolutely insignificant as against the amount claimed by the utility. In this case, for instance, it appears that although the value claimed for water rights by Mr. O'Shaughnessy in behalf of the Southern California Mountain Water Company was almost \$3,000,000.00, and the real value of these water rights, as claimed by Mr. O'Shaughnessy, was over three times this amount, all that was actually paid for water rights as distinguished from land was \$12,500.00. No figures could more forcibly illustrate the gravity of this problem and the dangers into which some of our courts are rushing the people of this State. Such allowance as on all the facts seems just and reasonable will be made for water rights in this case.

(c) *Depreciated reproduction value.*

As already indicated, the estimate of this Commission's hydraulic engineers with reference to the depreciated reproduction value of the entire property owned and leased by the city of San Diego is \$2,682,866.00. This estimate is the result of an analysis of the life of the different elements of the property and the ascertainment of the actual age thereof. Mr. Whitney's estimate, without water rights and pipe line right of way, is \$5,202,215.36. The chief difference between these two estimates is in the estimated value of the land.

(d) *Value for purpose of the application.*

As has hereinbefore been stated, the city of San Diego has paid the sum of \$2,500,000.00 for a portion of the system which it now operates. It has leased the remaining portion for the sum of \$67,500.00 per year, with an option to purchase the same for the sum of \$1,500,000.00, but has not as yet exercised the option. While, if the city of San Diego desires to pay the sum of four million dollars, or any other sum for this system it certainly has the right to do so in so far as this Commission is concerned, it does not necessarily follow that it has the right to charge any such sum as it pleases which it may pay as against its outside consumers, who are not parties to such an arrangement, and who have the right to expect to pay rates on only such value as, in view of all the facts of the case, may be found to be a fair value for rate fixing purposes.

After considering all the facts of this case bearing on the question of the fair value to be assigned to the property, bearing in mind the actual cost of the property and the estimates of the engineers to reproduce the

same new, bearing in mind the fact that the property has depreciated since it was acquired and that a fair allowance must be made for interest during construction, but only during a reasonable period of construction, and that an allowance must be made for the cost of developing the business, though not necessarily the entire sum which as the result of the aforesaid contract with the city of San Diego, the Southern California Mountain Water Company failed to realize during the years of operation, I find as a fact that the sum of \$3,500,000.00 is the fair and reasonable value of the property owned and leased by the city of San Diego and operated by the city from and including the Morena system to the city limits, and that this is the sum on which a rate of return must be computed for the purpose of this case.

### 3. Rate of Return.

The portion of the water system which was bought by the city of San Diego was paid for with the city's bonds of the face value of \$2,500,000.00, which bonds were taken at par and bear interest at the rate of  $4\frac{1}{2}$  per cent per annum. The parties to this proceeding all agreed that a rate of return of 6 per cent would be equitable. Although this is  $1\frac{1}{2}$  per cent more than the city is paying for its money, nevertheless, I am of the opinion that the public authority having control of the rates to be charged by the city of San Diego should be liberal with the city and should permit a return somewhat in excess of what the money actually costs the city. I shall recommend that a return of 6 per cent per annum be allowed on the value of the system as hereinbefore found. As this value has been fixed at the sum of \$3,500,000.00, the city is entitled to a return each year under the head of return on investment, amounting to \$210,000.00.

### 4. Depreciation.

In its Exhibit "BB," the city estimates an annual depreciation on the impounding system, exclusive of the Morena system, amounting to the lump sum of \$22,500.00. The city estimates the depreciation at nine tenths of 1 per cent per annum, and by applying it to the purchase price of the impounding system, viz, \$2,500,000.00, secures the estimated annual depreciation of \$22,500.00. It is, of course, true that the purchase price includes items which are not subject to depreciation, such as the lands and certain overhead expenditures. The Commission's hydraulic engineers have estimated an annual depreciation on the Morena dam system amounting to \$5,326.00. On the basis of the city's estimate for the remainder of the impounding system and the hydraulic department's estimate for the Morena system, the total annual depreciation would be \$27,826.00.

The Commission's hydraulic department has estimated the total annual depreciation as follows:

TABLE No. 6.

Morena dam, structures.....	\$5,326 00
Barrett dam, structures.....	351 00
Dulzura conduit, structures.....	2,700 00
Upper Otay dam, structures.....	277 00
Lower Otay dam, structures.....	2,774 00
Chollas Heights dam, filtering plant and booster pump.....	2,319 00
Pipe line.....	13,618 00
<b>Total .....</b>	<b>\$27,398 00</b>

I find that it would be reasonable to allow the annual sum of \$27,398.00 for depreciation.

#### 5. Operation and Maintenance.

In its Exhibit "BB," the city presents a statement of operation and maintenance expenses for the twelve months beginning February, 1913, amounting to \$108,874.08. This amount includes the sum of \$67,500.00 which was paid to the Southern California Mountain Water Company as rental of the Morena system. As the Commission is including the value of the Morena properties in the total sum on which a return is allowed, it will not be necessary to again include the same item as a part of operating expenses. Subtracting this amount from the city's estimate, we have a remainder of \$41,374.08. This item includes a proportion of the sum of \$17,791.67, this being an estimate of a proportion of the city's expenditures chargeable to the water department, but not theretofore shown on the claims of the department. The proportion chargeable in the city's exhibit is based on the entire expenditures for operation and maintenance, including the rental of \$67,500.00. As this rental has been taken care of otherwise, it is evident that if the city's theory of segregation is to be pursued, the remainder of \$41,374.08 must be still further materially reduced. It also appears from an examination of applicant's exhibits numbers "R" and "S," showing the individual items chargeable to operation and maintenance, both for the impounding system and the distributing system within the city of San Diego, that many items which are properly chargeable to capital account are given under the head of operating expenses. The city's representatives testified that they had no system of bookkeeping in the water department, and that while they had done their best, they had been unable to make an accurate segregation either as between capital expenditures and operating expenses on the one hand or between operating expenses properly chargeable to the distributing system and those properly chargeable to the impounding system on the other. It should be borne in mind that a considerable portion of the time of the officials of the city connected with its water department is employed in

connection with the expenditure of moneys from present and proposed bond issues for new construction which is properly chargeable to capital account and not to operating expenses. When these facts are borne in mind, I think it will be evident that the actual expenses for operation and maintenance are considerably less than the amounts shown on the city's exhibits.

The Railroad Commission's Exhibit No. 7 shows the actual expenditures for maintenance and operation for this system during the year 1911, during which year the impounding system alone was operated and maintained by the Southern California Mountain Water Company. The books of this company are carefully kept and its accounting officers thoroughly understand public utility accounting. The records for the year 1911 show that the total cost of maintenance and operation of the impounding system was \$34,000.00, including the item for the Coronado pipe line, which item in 1913 was definitely ascertained to be \$9,000.00. On this basis, the probable net cost for the impounding system during 1911 was \$25,000.00. There has now been added the Morena system, for which an item of \$2,500.00 may be allowed for operation and maintenance. The net result would be a total of \$27,500.00 for the operation and maintenance of the entire impounding system. The figures for the year 1911 are used for the reason that those for 1912 contain many extraordinary expenses chargeable largely to the expenses in connection with the sale of the property to the city.

After a careful consideration of the facts bearing on this question, I have reached the conclusion that the sum of \$27,500.00 would be a fair and reasonable amount to allow for the operation and maintenance of the impounding system, bearing in mind carefully the distinction between expenses properly chargeable to operation and maintenance and those properly chargeable to construction.

#### 6. The Rate.

We come now to a determination of the actual rate to be charged by the city of San Diego.

At the outset, on this point, we are confronted by the claims of the Southern California Mountain Water Company, the Pacific Building Company and the Fairmont Water Company to the effect that they are receiving water under existing contracts, which contracts were assumed by the city of San Diego at the time it bought the system, and that this Commission can not or should not disturb the price specified in these contracts. In answer to the point that this Commission has no power to disturb these contracts, I think it will be necessary only to refer to this Commission's Decision No. 536, rendered on March 28, 1913, in Application No. 118, being the *Application of James A. Murray and Ed Fletcher* for an order authorizing and permitting an increase in water rates (Vol. 2, Opinions and Orders of the Railroad Commission

of California, p. 464), and to its Decision No. 1309, Case No. 483, *Town of Ukiah vs. Snow Mountain Water and Power Company*, decided on February 27, 1914, in which cases the Commission has placed itself definitely on record against this contention. The principle on which the Commission has relied in these cases is simply that no public utility can by any contract which it may enter into in connection with its rate or service as a public utility, take itself from under the supervision and regulation of the constituted public authorities. Discrimination by a public utility is none the less discrimination, because it is effectuated or attempted to be effectuated by means of a contract. Reference is hereby made to the reasoning and authorities in the foregoing cases in support of the Commission's conclusions.

While the Commission has held that it has power over contracts of this character, it has also held in the *Murray and Fletcher* case that its inclination will be to uphold contracts which have been fairly entered into unless they create discrimination. The contracts with the Pacific Building Company and the Fairmont Water Company, as well as that with the Southern California Mountain Water Company, were entered into subject to the State's power under its police power to provide that there shall be no discrimination by a public utility as between its different consumers, and to give to a commission or other agent the power to enforce the State's will in this regard.

Section 19 of the Public Utilities Act reads as follows:

"No public utility shall, as to rates, charges, service facilities or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage."

The Southern California Mountain Water Company urges in its brief that this Commission, when it authorized the company to sell a portion of its property and lease another portion to the city of San Diego, passed upon and approved all the contracts of the Southern California Mountain Water Company, including the one with the Coronado Water Company, and that the Commission has now lost jurisdiction to take any action affecting these contracts. In other words, the claim is that if discriminations existed as between the various contract consumers, this Commission has in some way disabled itself from enforcing the provisions of the Public Utilities Act providing that a public utility shall not discriminate. The Southern California Mountain Water Company is mistaken in its view of what this Commission did. While the Commission authorized the Southern California Mountain Water Company to sell a portion and lease another portion of its property to the city of San Diego, the Commission did not pass upon the adequacy of the consideration and particularly this Commission did not pass upon or in any way approve or disapprove any contract of the Southern California

Mountain Water Company with any of its consumers. The Commission had the power to pass upon these contracts while the Southern California Mountain Water Company owned and operated the system, and it has the same right as against its successor, the city of San Diego. There is no magic in the simple transfer of public utility property from one utility to another, authorized by this Commission, so that property one moment subject to public regulation becomes the next moment free from regulation. Otherwise, this Commission would, of course, be very slow to authorize any transfer whatsoever of property used in the public service. The transfer in this case was made subject to this Commission's continuing power of regulation as provided by the constitution and statutes of this State.

The Southern California Mountain Water Company further makes the special plea that the agreement that it should receive water from the city of San Diego at the rate of 8 cents per thousand gallons was part of the consideration entering into the sale of its property to the city or the lease of the Morena system or both, and that the company would not have sold and leased its property as it has done if it had not been for the city's agreement to take over the Southern California Mountain Water Company's contract with the Coronado Water Company for the delivery of water at 8 cents per thousand gallons. If this agreement is to have any weight as a consideration, it must appear that the Southern California Mountain Water Company sold its property to the city of San Diego for less than it was worth or leased the Morena system for less than a reasonable rental or gave an option to sell that system for less than it is reasonably worth. The evidence in this case shows no such facts. From the evidence which has been presented to this Commission, it would appear that when the city of San Diego paid \$2,500,000.00 for the property which it has purchased from the Southern California Mountain Water Company it paid all this property was worth; that when it agreed to pay a rental of \$67,500.00 for the Morena property, it thereby agreed to pay a return of almost 8 per cent on what the Morena system actually cost; and that when it secured the option to buy this property for the sum of \$1,500,000.00, it received an option to purchase it at a sum more than half a million dollars in excess of the original cost thereof, as shown by the books of the Southern California Mountain Water Company. It is, of course, not the function of this Commission to give any advice to the citizens of San Diego as to whether or not they shall avail themselves of this option. It may frequently be that a city is entirely willing to pay more than the cost of a water system in order to acquire and operate it. It is possible that the people of San Diego will desire to pay something over half a million dollars in excess of the cost of the Morena system in order to own the system and to enable its owners to use this additional money for other purposes. The

only reason why I am referring to these matters is to show that the Southern California Mountain Water Company already received all that was coming to it in the price to be paid for the property which the city bought and the rental to be paid for the Morena properties and the option price in connection with the Morena properties, and that it was not necessary for the city to agree to sell water to this company for less than its cost in order to give the company additional consideration.

It should also be borne in mind that, as the result of this transaction, the Southern California Mountain Water Company was relieved of the obligations under its contract with the city, which contract still had over three years to run, and under which contract the Southern California Mountain Water Company was selling water at 4 cents per thousand gallons, which price was considerably less than the water cost the Southern California Mountain Water Company. In other words, in addition to its other considerations, the Southern California Mountain Water Company was relieved from the obligation of a contract which was proving very expensive to that company. I have gone into these matters simply to show that there is no equity in demanding that the contract rate of 8 cents to the Southern California Mountain Water Company shall be maintained, and no reason why with reference to this customer as well as its other customers, the city should not be entitled to receive a fair, non-discriminatory rate. The city has asked that this Commission establish such a rate and we shall proceed to do so.

The following table, furnished by the department of water of the city of San Diego, shows the use of water in 1,000-gallon units during the year 1913:

**TABLE No. 7.**  
**Distribution of Water in 1,000-gallon Units in 1913.**

Month	Southern California Mountain Water Company	Encanto Mutual Water Company	Pacific Building Company and Fairmont Water Company	Miscellaneous	Inside city
January -----	7,670	945	1,168	9	158,900
February -----	6,850	892	394	10	141,800
March -----	10,530	898	1,172	9	175,500
April -----	10,750	2,462	2,775	10	227,000
May -----	13,230	3,735	2,945	44	238,500
June -----	14,880	3,300	1,666	49	225,000
July -----	20,900	3,220	3,450	42	261,500
August -----	22,950	3,060	4,150	43	261,000
September -----	20,000	3,320	3,070	39	257,300
October -----	15,680	3,030	3,700	101	242,500
November -----	8,640	3,110	1,670	55	158,000
December -----	7,790	777	1,675	18	157,500
<b>Totals -----</b>	<b>159,870</b>	<b>30,150</b>	<b>27,835</b>	<b>391</b>	<b>2,504,500</b>
<b>Average per month -----</b>	<b>13,322</b>	<b>2,513</b>	<b>2,320</b>	<b>88</b>	<b>208,710</b>



The following table shows the amounts of water consumed per thousand gallon units in 1913 and the percentage of water consumed by each of the chief groups of users:

TABLE No. 8.

	1,000-gallon units	Percentage
City of San Diego.....	2,504,500	92
Southern California Mountain Water Company.....	159,870	5.88
Encanto Mutual Water Company.....	30,150	1.1
Pacific Building Company and Fairmont Water Com- pany .....	27,835	1
Miscellaneous consumers .....	391	.02
<b>Total .....</b>	<b>2,722,746</b>	<b>100.00</b>

It will be noted from the foregoing table that 92 per cent of the water used in 1913 was used in the city of San Diego and only 8 per cent outside of the city. It would accordingly seem fair to charge to the outside consumers 8 per cent of the charges against the impounding system but no portion of the charges against the distributing system within the city of San Diego, for the reason that the outside customers secure no benefit from the charges to the distributing system within the city.

The charges which we have hereinbefore determined shall be levied against the impounding system are as follows:

TABLE No. 9.

Interest, 6 per cent on \$3,500,000.....	\$210,000 00
Maintenance and operation.....	27,500 00
Depreciation .....	27,398 00
<b>Total .....</b>	<b>\$264,898 00</b>

As the total number of gallons of water which were used inside and outside of the city during the year 1913, as appears from Table No. 7, were 2,722,746,000 gallons, it is evident that in order to ascertain the average charge for water arising out of the construction, maintenance, operation, and depreciation of the impounding system, the total annual charge of \$264,878.00 should be divided by the total number of gallons which went through the impounding system and which were used by the consumers. The result of this division is to give the sum of 9.73 cents per thousand gallons.

In order to provide a fair rate as between the different classes of consumers it must be borne in mind that the relative expense of serving a small consumer is larger than the expense of serving a large consumer. There are certain expenses, such as the reading of meters and the collection of bills, which are just as great for a use of five thousand gallons per month as for a use of five million gallons per month. Consequently,

it will be necessary to provide a somewhat higher rate for small consumption than for large consumption.

After a careful consideration of all the evidence introduced in this proceeding, I find that the following rates will be just and reasonable rates to be charged by the city of San Diego to its customers to whom water is delivered outside of the city limits:

Minimum per month for any use, entitling consumer to 5,000 gallons_	\$1 25
Amounts between 5,000 gallons and 20,000 gallons per month, per 1,000 gallons -----	15
Amounts between 20,000 gallons and 1,000,000 gallons per month, per 1,000 gallons -----	10
Amounts over 1,000,000 gallons per month, per 1,000 gallons -----	09½

In reaching this conclusion, I desire to draw attention to the fact that the basis of the foregoing rates is the 1913 demand, and not the safe yield of the system.

It will be found by applying these rates to the amount of water consumed by each of the customers of the city during the year 1913, that each thereof will pay within a very few dollars one way or the other of the amount which under his proportionate use of water he ought to pay, with the exception that the smaller users will pay a little more because of the relative larger proportion of expenses chargeable to them.

The foregoing statement with reference to the rate is subject to one modification, resulting from the establishment and operation of the booster and filtering plant at Chollas Heights. It appears that at Chollas Heights there is a booster plant for boosting the water the remaining distance through the Otay-San Diego pipe line to the city and a filtering plant for purifying the water. Those customers of the city who live east of Chollas Heights receive no benefit from the booster and filtration plant, whereas those who receive their water west of Chollas Heights, being the Pacific Building Company, the Fairmont Water Company and possibly one or two small consumers, receive the benefit of these plants, as well as the citizens of San Diego. It follows that these persons should pay a slight extra charge because of this special benefit which they receive. Accordingly, in fixing the value of the property on which a return should be allowed, I have not included the value of the booster pump and of the filtration plant. The following table represents the investment and interest thereon, maintenance and operation and depreciation in connection with the booster and filtration plants:

TABLE No. 10.

Interest of 6 per cent on capital account, \$59,500-----	\$3,570 00
Depreciation -----	1,585 00
Operation and maintenance-----	5,200 00
Total -----	\$10,355 00

In the year 1913, approximately 2,532,000,000 gallons of water consumed by the customers of the city of San Diego passed through the booster and filtration plants. The expense chargeable to each 1,000 gallons of water is accordingly 4 cents.

I find that the rate to be charged by the city of San Diego to its customers living outside of the city limits west of the booster and filtration plants should be increased over the rates hereinbefore stated by the sum of  $\frac{1}{2}$  cent per 1,000 gallons, the minimum to remain as before.

The foregoing conclusions automatically adjust several matters concerning which complaint was made by individual consumers of the city. The city agreed at the hearing that when the rate should be established there would no longer be a meter rental charge. The rates herein established also remove certain complaints with reference to minimum charges. The only minimum to be hereafter charged will be the sum of \$1.25, which shall entitle the user to 5,000 gallons before any further charge is made.

One further matter requires consideration. Mathew Linn asked this Commission to make an order entitling him to become a public utility, and to distribute water to his neighbors in the same manner in which larger utilities serve their customers. Mr. Linn feels that he is qualified to perform the functions of a public utility and desires this Commission's authority to do so. Mr. Linn's contract with the Southern California Mountain Water Company, to which the city is now heir, apparently contemplates that the water to be received by Mr. Linn shall be used only on his own land. However, if the city is willing to make arrangements to put Mr. Linn in the public utility business and to extend the terms of the contract so as to enable him to embark in this business and to serve his neighbors, this Commission will certainly have no objections to such an arrangement. As the city is heir to a right of way through Mr. Linn's premises, the city may be willing to pay Mr. Linn the reasonable value thereof and thus put an end to the troubles between Mr. Linn and the city. Such action would make it entirely equitable to charge Mr. Linn for water exactly what other consumers in his class of consumption pay, thus removing any possible discrimination.

I believe that this disposes of all the material issues in this proceeding. If there are any minor matters which have been overlooked, the parties can probably secure relief by taking up the matters directly with the city of San Diego. The city, through its representatives, has shown a very commendable desire to be fair and reasonable in all matters affecting its water system, and the people of the city are to be congratulated in having fair and broad-minded officials in charge of their water system. The Commission desires to express its appreciation for the very comprehensive assistance which the city has offered in this investi-

gation, and for its willingness at all times to offer every possible future information which might be found necessary in the determination of the complicated issues in this proceeding.

I submit herewith the following form of order:

**ORDER.**

The city of San Diego having by resolution of its city council applied to the Railroad Commission for an order establishing the rate to be charged by the city in its capacity as a public utility to its consumers of water outside the city limits, and public hearings having been held on said applications, and the matter having been submitted and being now ready for decision, it is hereby found as a fact that the rates hereinafter established are just and reasonable rates to be charged by the city of San Diego to its outside consumers, and the city of San Diego is hereby directed to charge in lieu of its existing rates the following rates for water delivered to its customers outside of the city limits, to wit:

Minimum per month for any use, entitling consumer to five thousand (5,000) gallons, one dollar and 25/100 (\$1.25).

Amounts between five thousand (5,000) gallons and twenty thousand (20,000) gallons, per month fifteen (15) cents per thousand gallons.

Amounts between twenty thousand (20,000) gallons and one million (1,000,000) gallons, per month, ten (10) cents per thousand gallons.

Amounts above one million gallons, per month, nine and one half (9½) cents per thousand gallons.

To the foregoing rates the city of San Diego shall add for those of its customers who receive water at points outside of the city located west of the booster and filtration plants, the sum of one half (½) cent per thousand gallons, the minimum to remain as hereinbefore indicated.

The foregoing rates shall become effective on and after June 1, 1914, and shall be filed with this Commission ten (10) days before said date.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of April, 1914.

## DECISION No. 1466.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE RENEWAL OF CERTAIN PROMISSORY NOTES AND OBLIGATIONS MADE AND EXECUTED BY SAID CORPORATION.

---

Application No. 1054.

*Decided May 1, 1914.*

---

Application of San Diego Consolidated Gas and Electric Company to issue eleven promissory notes, aggregating the sum of \$373,228.88, in lieu of notes of a like amount now outstanding, proceeds of which were used for betterments and improvements to plant, granted.

*A. H. Sweet*, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

In this application, under section 52 of the Public Utilities Act, the San Diego Consolidated Gas and Electric Company, a corporation organized and existing under and by virtue of the laws of the State of Delaware, with principal place of business in the city of San Diego, State of California, asks permission to renew certain promissory notes heretofore given by said corporation.

Applicant is engaged in the manufacture and sale of gas, and in the generating and sale of electric energy for heat, light and power purposes in San Diego County, California, comprehending in the field of its activities the following cities and towns in San Diego County, California, viz: San Diego, Coronado, National City, La Mesa, Chula Vista, East San Diego and El Cajon.

The testimony submitted at the hearing, supporting the allegations of the application, shows—

(a) That the financial condition of applicant is fully set forth in a schedule numbered one, attached to the application herein and made a part of said application.

(b) That a detailed statement of earnings and expenditures for the last fiscal year, and a balance sheet also showing financial condition of applicant at the close of said fiscal year were filed with the Railroad Commission of the State of California on the 10th day of February, 1914.

(c) That a complete description of the plant, system and equipment of applicant, showing character and location of its real and personal

property, set forth in a schedule marked two, was attached to, filed with and made a part of the application, said schedule showing that all of said real and personal property is situated in the county of San Diego, State of California.

(d) That applicant claims that the present value of its plant, system and equipment is \$7,877,703.85, and that its total assets are \$7,923,966.66.

(e) That its liabilities are about \$7,531,436.57, consisting of—

Common stock .....	\$2,715,000 00
Preferred stock .....	(None)
First mortgage 5 per cent bonds maturing 1913.....	4,093,000 00
Collateral debenture 6 per cent bonds maturing about 1923.....	106,000 00
Notes and accounts payable, consumers' deposits and interest thereon, bond interest, taxes, general interest, accrued dividends, etc. ....	617,436 57

(f) That the notes which applicant herein asks permission to renew for the period of eleven months are particularly described and set forth as follows:

Date of note	Date due	Payee	Interest, per cent	Amount
Feb. 10, 1914	Mar. 12, 1914	Standard Gas and Electric Co..	7	\$52,000 00
Feb. 10, 1914	Mar. 12, 1914	Standard Gas and Electric Co..	7	55,500 00
Jan. 10, 1913	Mar. 10, 1914	Standard Gas and Electric Co..	7	32,500 00
June 2, 1913	On demand	Standard Gas and Electric Co..	7	61,000 00
Oct. 1, 1913	Sept. 1, 1914	Standard Gas and Electric Co..	7	50,000 00
Dec. 11, 1913	June 11, 1914	H. M. Bylesby & Company.....	6	15,000 00
Dec. 12, 1913	Apr. 11, 1914	H. M. Bylesby & Company.....	6	15,000 00
Jan. 26, 1914	May 26, 1914	Bank of Commerce and Trust Company .....	6	25,000 00
Dec. 29, 1913	Apr. 29, 1914	General Electric Company.....	6	17,228 88
Feb. 18, 1914	On demand	American National Bank .....	6	25,000 00
Feb. 20, 1914	June 20, 1914	First National Bank .....	6	25,000 00

(g) That the total aggregate amount of said notes which applicant desires to cancel by giving new notes therefor is \$373,228.88, which amount applicant claims represents the additional sum expended by applicant in construction and additions to its plant or system over and above the amount realized by applicant from the sale of bonds heretofore authorized by the Railroad Commission of the State of California. (See Applications Nos. 192, 344, 378 and 590, and supplemental applications thereto.)

The testimony further showed that a resolution authorizing the renewal of the notes comprehended in this application has been regularly passed and adopted by the board of directors of applicant, San Diego Consolidated Gas and Electric Company, copy of which resolution, marked number four, was attached to the application herein and made a part thereof.

I find as a fact that applicant gave the notes, which it now asks permission to renew, for the legitimate and legal purpose of securing funds to be devoted to the construction of and additions and betterments to its plant or system, and not to be used in the operation thereof, and that the financial condition of applicant is such as to justify the granting of the application herein prayed for to renew said notes.

The testimony showed that the current obligations of applicant are promptly met and that interest on outstanding bonds is paid when due.

I recommend the following order :

**ORDER.**

San Diego Consolidated Gas and Electric Company, a corporation, having applied to this Commission for permission to renew certain notes, described in the opinion preceding this order, heretofore given by said corporation, said renewal to be for the period of eleven months; and it appearing that said notes were properly given in the legal conduct of applicant's business and that the proceeds thereof were expended for additions and betterments to its plant or system, and that applicant's financial condition justifies the granting of permission to renew said notes,

*It is hereby ordered* that applicant, San Diego Consolidated Gas and Electric Company, a corporation, be and it is hereby granted permission to renew, for the period of eleven months from date thereof, eleven certain promissory notes, more particularly set forth and described in the opinion preceding this order, the aggregate amount of said notes being \$373,228.88.

*It is further ordered* that the permission herein given to applicant to execute and deliver new notes is solely for the purpose of canceling and retiring the notes of applicant now outstanding and for no other, and applicant will be required to report to the Commission the issuance of said new notes and the consequent cancelation and retirement of those now outstanding.

*It is further ordered* that, as the new notes, permission to issue which is hereby granted, are paid and discharged, applicant shall report to the Commission the cancelation and discharge of notes now outstanding.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 1st day of May, 1914.

## DECISION No. 1467.

IN THE MATTER OF THE APPLICATION OF PACIFIC LIGHT  
AND POWER CORPORATION FOR AN ORDER AUTHOR-  
IZING THE ISSUE OF BONDS.

---

Application No. 721.*Decided May 1, 1914.*

---

Applicant applies for permission to issue bonds of the face value of \$1,730,000.00, \$1,233,000.00 of which is to be used to refund three notes of the aggregate face value of \$1,105,000.00 now outstanding, granted; and \$497,000.00 of which is to be used to reimburse treasury for moneys expended in the purchase of underlying bonds of an equal face value, denied, without prejudice to its renewal when applicant's sinking fund provisions become effective on September 1, 1914.

*S. M. Haskins, for Applicant.*

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL OPINION.

*EDGERTON, Commissioner.*

Application was originally made herein for authority to issue \$1,730,000.00 face value of bonds. The purposes for which the proceeds of the sale of these bonds are to be used are stated in the application as follows:

“To reimburse its treasury for moneys expended to refund 497 underlying bonds of Pacific Light and Power Corporation, of the face value of \$497,000.00.

“To sell 1,233 of said bonds to reimburse its treasury for moneys actually expended from income and from other moneys in the treasury not secured by or obtained from the issue of stock or stock certificates, or bonds, within three years last past, said moneys having been expended by petitioner for the acquisition of property, and for the construction, completion, extension and improvement of its facilities, and for the improvement of its service.”

The application as to \$497,000.00 face value of bonds was denied upon the following grounds. I quote from the opinion:

“It appears from the evidence introduced at the hearing that 497 underlying bonds on constituent properties of the Pacific Light and Power Corporation were purchased by applicant at a price not to exceed par, and placed in a sinking fund. The testimony is that the money used for this purchase was taken from the treasury of applicant, and we are now asked to authorize the issue of a like number of applicant's bonds which are to be sold to reimburse the treasury of applicant for this expenditure. The request is for authority to sell these bonds at not less than 83 per cent of their face value.



"The obvious effect of carrying out this plan would be to refund underlying bonds with an issue of a like number of new bonds, the discount to be taken care of in some way not disclosed.

"The main purpose of a sinking fund is to gradually reduce indebtedness created by the issuance of bonds, and in order to carry out such purpose, the sinking fund should, under ordinary circumstances, be maintained from the earnings of a corporation, or at least from sources other than those which create new obligations. Manifestly, to permit the issuance of new bonds with which to acquire underlying bonds to be placed in a sinking fund, in effect, continues the indebtedness of the company and defeats the real purpose of the sinking fund. Of course, if the financial condition of the company is such that its earnings and margin of property over indebtedness warrants the continuance of its obligations undiminished, this process might not be objectionable, but unless this condition is disclosed, the real purpose of creating the sinking fund should be adhered to and it should be maintained out of earnings, thus diminishing the obligations of the corporation."

We are asked in the supplemental application to permit this issue for the purposes stated above, but no convincing showing has been made to this Commission of a financial condition warranting the suspension of the sinking fund at this time.

It is true applicant urges that the sinking fund provided for in its refunding mortgage is very heavy and will be sufficient to retire all outstanding bonds at maturity, but this sinking fund does not commence until September 1, 1914, and to grant this application would mean that there would be no effective sinking fund up to that time. The sinking fund as to the underlying bonds should remain in effect up to September 1, 1914, and thereafter application may be made to this Commission for permission to refund the underlying sinking fund from September 1, 1914, with bonds of the overlying issue. This will result in applicant being burdened with only one sinking fund.

Applicant shows in its supplemental application and data filed therewith that it proposes to retire indebtedness evidenced by promissory notes with the proceeds of the issue of \$1,233,000.00 face value of the bonds asked to be authorized, and that the money obtained as a result of such indebtedness was used for capital purposes. This meets the objection made to the granting of this portion of the application, and I recommend that the application be granted as to \$1,233,000.00 face value of bonds, to be sold at not less than 83 per cent of face value, and that the application be denied as to \$497,000.00 of bonds, and submit herewith the following form of order:

#### ORDER.

Application having been made by Pacific Light and Power Corporation for an order authorizing the issue of \$1,730,000.00 face value of forty-year 5 per cent gold bonds, and a public hearing having been held

thereon and it appearing to the Commission that the purposes for which \$1,233,000.00 face value of said bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* by the Railroad Commission of the State of California that Pacific Light and Power Corporation is hereby authorized to issue \$1,233,000.00 face value of forty-year 5 per cent gold bonds under the terms of a mortgage and deed of trust dated November 20, 1911, between Pacific Light and Power Corporation and United States Mortgage Trust Company. Said bonds to be issued upon the following conditions, not otherwise:

1. Applicant shall sell the bonds herein authorized so as to net not less than 83 per cent of the face value thereon with accrued interest to the date of delivery.

2. The purposes for which the money realized from the sale of said bonds shall be used are the payment of the following obligations of applicant:

Note dated March 20, 1912, H. E. Huntington, one day----	\$355,000 00
Note dated September 30, 1913, Huntington Land and Improvement Company, three months-----	500,000 00
Note dated July 18, 1913, H. E. Huntington, one year-----	250,000 00
Total -----	<u>\$1,105,000 00</u>

3. Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of said bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom, and the use and application of such moneys.

4. The authority hereby given to issue such bonds shall apply only to bonds issued by said company on or before the first day of May, 1915.

5. The payment of the fee prescribed in section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission.

Dated at San Francisco, California, this 1st day of May, 1914.

DECISION No. 1468.

IN THE MATTER OF THE APPLICATION OF HAPPY VALLEY  
LAND AND WATER COMPANY FOR AUTHORITY TO  
ISSUE ONE THOUSAND SHARES OF CAPITAL STOCK.

Application No. 1092.

*Decided May 1, 1914.*

Applicant authorized to issue 1,000 shares of its capital stock of the par value of \$10,000.00; \$4,750.00 of which is to be used to refund two notes aggregating a like amount now outstanding, and the balance to be used in the construction of an earthen dam, provided that stock herein authorized shall be sold only to present stockholders or to owners, or persons having an interest in, property receiving water from applicant's system.

*Roscoe D. Jones*, for Applicant.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Happy Valley Land and Water Company for authority to issue 1,000 shares of capital stock, par value \$10,000.00.

The articles of incorporation of applicant authorize it to issue 25,000 shares of stock of a value of \$10.00 each, or \$250,000.00. Of this there is outstanding 7,076 shares of a par value of \$70,760.00.

The indebtedness of the company is as follows:

Mortgage note to Bank of Anderson, March 7, 1913, payable March 7, 1914, first interest rate 6 per cent, second interest rate 7 per cent.-----	\$8,500 00
Mortgage to Rideout-Smith Bank of Oroville, three notes of \$1,000.00 each, dated February 11, 1914, February 27, 1914, and March 16, 1914, payable on demand, interest at 7 per cent -----	3,000 00
Unsecured indebtedness -----	1,750 00
Total debt -----	<u>\$13,250 00</u>

The company states that for the year ending December 31, 1913, its operations showed a deficit of \$4,469.61.

The company filed in its annual report a statement of fixed capital in the sum of \$261,735.30, made up as follows:

Ditch properties -----	\$157,000 00
Water rights -----	100,000 00
Reservoirs -----	3,000 00
New ditch and reservoir work -----	1,735 30
Total -----	<u>\$261,735 30</u>

The company proposes with the \$10,000.00 realized from the sale of the stock herein asked to be authorized, to pay off the following indebted-

ness which was incurred for money used in construction and additions and betterments to its plant, to wit:

Promissory notes due Rideout-Smith Bank of Oroville-----	\$3,000 00
Unsecured indebtedness -----	1,750 00

The balance of the money is to be used toward the construction of an earthen dam as described in the application, which will cost between \$3,000.00 and \$5,000.00.

It is apparent from the above that there is a reasonable amount of property owned by applicant to justify the proposed issue of stock, but it is also evident that its ability to pay dividends on this stock in the next few years is doubtful. However, it probably will be of advantage to property owners in the vicinity of this system to take stock and thus promote the building and operation of the water plant so as to serve their property, and I think that this application should be granted, but that the sale of stock be limited to the owners of property adjacent to applicant's system who will become customers of applicant and to the existing stockholders of applicant.

I submit herewith the following form of order:

**ORDER.**

Application having been made by Happy Valley Land and Water Company for an order authorizing the issue of \$10,000.00 par value of its capital stock, and a hearing having been duly held and it appearing to the Commission that the purposes for which the proceeds of the sale of said stock are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that the purposes for which the proceeds of the sale of said stock are to be used are proper and lawful,

*It is hereby ordered* by the Railroad Commission of the State of California that Happy Valley Land and Water Company is hereby authorized to issue 1,000 shares of its capital stock of a par value of \$10.00 per share, upon the following terms and conditions, not otherwise:

1. Applicant shall realize not less than par for said stock, and shall sell said stock only to its present stockholders, or to such owners or persons having an interest in land irrigable from the system of applicant as shall signify their intention to become consumers of applicant.

2. The money realized from the sale of said stock shall be used for the following purposes only:

To pay off and retire promissory notes due Rideout-Smith Bank of Oroville -----	\$3,000 00
Unsecured indebtedness -----	1,750 00
For the construction of an earthen dam as described in the application at an estimated cost of between \$3,000.00 and-----	5,000 00

3. Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the

sale of said stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such stock during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom, and the use and application of such moneys.

4. The authority hereby given to issue such stock shall apply only to stock issued by said company on or before the first day of May, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 1st day of May, 1914.

---

#### DECISION No. 1469.

### IN THE MATTER OF THE APPLICATION OF PACIFIC LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING ISSUE OF NOTES.

---

Application No. 1104.

*Decided May 1, 1914.*

---

Application of the Pacific Light and Power Corporation to issue one-year promissory notes aggregating \$2,500,000.00 face value, to be sold at par, proceeds to be used to take up notes of a like amount now outstanding, granted.

*S. M. Haskins*, for Applicant.

#### REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Pacific Light and Power Corporation for an order authorizing the issuance of \$2,500,000.00 of promissory notes.

On May 1, 1913, applicant issued and sold 2,500 promissory notes of the face value of \$1,000.00 each, dated May 1, 1913, payable to bearer one year after date and bearing interest at the rate of 6 per cent per annum, payable semiannually.

Applicant realized full face value for said notes, less  $1\frac{1}{2}$  per cent commission paid to bankers for floating the same. The money thus derived was used in the continued construction of its hydroelectric generating plant on Big Creek in Fresno County, California, and on the transmission line which was in course of construction between said power plant and the city of Los Angeles.

It is now proposed to issue promissory notes of applicant to Huntington Land and Improvement Company of the face value of \$2,500,000.00 at a like rate of interest, the money thus realized to be used in retiring the promissory notes heretofore issued.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

Application having been made by Pacific Light and Power Corporation for an order authorizing the issue of promissory notes of the face value of \$2,500,000.00, and a public hearing having been had, and it appearing to the Commission that the proceeds from the issuance of said promissory notes are not in whole or in part reasonably chargeable to operating expenses or to income, and that such proceeds are needed by applicant to pay off and retire existing obligations,

*It is hereby ordered* by the Railroad Commission of the State of California that Pacific Light and Power Corporation is hereby authorized to issue promissory notes of the face value of \$2,500,000.00, bearing interest at the rate of 6 per cent per annum, payable semiannually, said notes to be dated May 1, 1914, and to be payable on or before May 1, 1915, under the following conditions, not otherwise:

1. Applicant shall realize upon the issuance of said notes the full face value thereof, to wit: \$2,500,000.00, and the money thus realized shall be used only for the purpose of paying off and cancelling those certain promissory notes heretofore issued by applicant of the face value of \$2,500,000.00, dated May 1, 1913, payable to bearer one year after date and bearing interest at the rate of 6 per cent per annum, payable semiannually.

2. Said company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of said notes hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such notes during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom, and the use and application of such moneys.

3. The payment of the fee prescribed in section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 1st day of May, 1914.

## DECISION No. 1470.

IN THE MATTER OF THE RATES CHARGED AND SERVICE RENDERED BY H. R. ATWOOD, ALSO DOING BUSINESS UNDER THE NAME OF ENCANTO MUTUAL WATER COMPANY, FOR WATER SUPPLIED TO HIS CONSUMERS AT ENCANTO, SAN DIEGO COUNTY, CALIFORNIA.

---

Case No. 547.

*Decided May 5, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER DENYING APPLICATION FOR REHEARING.

H. R. Atwood, also doing business under the name of Encanto Mutual Water Company, having applied for a rehearing in the above entitled case and no good grounds for rehearing appearing,

*It is hereby ordered* that said application be, and the same is hereby, denied.

Dated at San Francisco, California, this 2d day of May, 1914.

---

DECISION No. 1471.

BENJAMIN W. FENTON

*vs.*

WELLS FARGO AND COMPANY.

---

Case No. 532.

*Decided May 1, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER OF DISMISSAL.

The complainant in the above entitled proceeding having made request to this Commission that the complaint in said matter be dismissed,

*It is hereby ordered* that the complaint in this proceeding be and the same is hereby dismissed.

By order of the Railroad Commission.

Dated at San Francisco, California, this 1st day of May, 1914.

## DECISION No. 1472.

J. H. BROCKMAN

vs.

INGLEWOOD WATER COMPANY.

Case No. 553.

*Decided May 1, 1911.*

*Held.* That in order to prevent a preference in favor of consumers within the city of Inglewood, defendant company is ordered to re-establish for consumers outside the city limits the special "lawn rate" now in effect within the city.

James L. Irwin, for Complainant.

W. J. Carr, for Defendant.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This complaint grew out of this Commission's opinion and order in Case No. 437, *Slinack vs. Inglewood Water Company*, decided on October 16, 1913.

A portion of this Commission's opinion in the *Slinack* case reads as follows:

"Although not a part of the complaint in this case, I find, as developed by the testimony, that the rates of the defendant, the Inglewood Water Company, are discriminatory, in that a less rate is made to consumers who use the water for lawns than is made to consumers who use the water for other domestic purposes. While it is commendable on the part of the defendant, the Inglewood Water Company, to encourage the developing and keeping up of lawns, it has no right to discriminate in its charge for water between consumers who use the water for lawns or for rose bushes or other purposes. This discrimination should be removed."

The order contains the following paragraph, among others:

"It is further ordered that the Inglewood Water Company eliminate the discrimination which now exists in its rates by reason of making a different rate to consumers who have lawns than is made to other patrons and customers."

The rate for lawns which was referred to in the *Slinack* case is as follows:

"Consumers who maintain in reasonably good order lawns, either grass or clover, covering not less than 900 square feet shall pay 10 cents per 100 cubic feet for all water used; provided, however, that the minimum bill for any calendar month shall not be less than \$1.00."

60—10192



The usual rate is 20 cents per 100 cubic feet for the first 500 cubic feet and 10 cents per 100 cubic feet for all water used in excess of 500 cubic feet; provided, however, that the minimum bill for any calendar month shall be not less than \$1.00.

It is clear that there are two ways to remove a discrimination in rates, the one being to raise the lower rate and the other to reduce the higher rate. In this case, the Inglewood Water Company chose to raise the lower rate. Mr. H. L. Martin, auditor of the Inglewood Water Company, testified that by discontinuing the lawn rate, his company had secured an additional revenue of about \$150.00 per year, but that if the higher rate had been reduced, a loss in revenue amounting to some \$1,500.00 would have resulted.

The Commission's order in the *Slinack* case has effect only in the territory over which this Commission has authority to establish rates for the defendant, which territory in this case is the unincorporated territory lying outside of the city limits of the city of Inglewood. The evidence shows that between 60 and 100 of defendant's consumers residing outside of the city limits of Inglewood are affected by the elimination of the lawn rate. These people appeared before the Commission and drew the Commission's attention to the fact that when they bought their land from the Inglewood Land Company they received from the Inglewood Domestic Water Company, being a water company controlled by the same people who control the land company, water certificates, in which certificates the Inglewood Domestic Water Company agreed to deliver to the purchasers of the land, water for all domestic purposes "at the same rates and under the same conditions as may prevail from time to time in the city of Inglewood, California."

These people drew attention to the fact that the existing ordinance of the city of Inglewood establishing the rates to be paid for water for the fiscal year beginning July 1, 1914, and ending June 30, 1915, continues the lawn rate, and that if this rate is now eliminated in the outside territory, they will not be receiving their water at the same rates as prevail in the city of Inglewood, as it was agreed that they should do.

This provision in the water certificates was not drawn to this Commission's attention in the *Slinack* case.

The Commission is accordingly in this position—if it insists on the removal of discrimination as between the lawn rate and the rate for other classes of gardens in outside territory, the result will be the establishment of a discrimination as between the outside consumers and those within the city of Inglewood in all cases in which outside customers maintain lawns covering not less than 900 square feet. The Commission naturally hesitates to remove one discrimination in such a way as to create another. The matter of the rate within the city of Inglewood is entirely in the hands of the local authorities. While

this Commission is, of course, not bound as to the outside rates by what the city authorities may do with reference to the rates inside the city, nevertheless, we feel strongly that in so far as possible, effect should be given to contracts entered into by land and water companies agreeing to make deliveries of water at specified rates, in consideration for the purchase of land by intending purchasers. While this Commission clearly has authority at all times over the rates of public utilities, irrespective of such contracts as may have been entered into, as has been frequently held by this Commission, we shall certainly desire to give effect, in so far as possible, in favor of the purchasers of land, to contracts which have been entered into for the delivery of water by the people who sold the land and pocketed the proceeds. Too frequently we find the original owners of the land, under these circumstances, trying to "get out from under," and after they have received the money from the purchasers of the land, trying to evade every obligation which they undertook before. In so far as it lawfully may be done, this Commission will certainly seek to do all it can to prevent the wrong and injustice which we find in these cases.

In the present case, the Inglewood Water Company had two ways within which to comply with this Commission's order, and naturally selected the way which would result in an increase in its revenue. I have conferred with Commissioner Loveland, who heard the *Slinack* case, and we both agree that in view of the provisions in the water certificates, it would be more just to permit the lawn rate to continue than to produce another discrimination by compelling the outside consumers to pay more for water than the inside consumers, contrary to the provisions of the water certificates. In reaching this conclusion, it must be understood that this Commission, of course, is not bound even on an issue of discrimination, within its own field, by such action as may be taken in cities which have not surrendered to this Commission their control over public utilities, and also that it will not always be possible for this Commission to act in accordance with the provisions of contracts or agreements made by land companies for the supply of water, for the reason that in certain cases these contracts and agreements may be unjust and unreasonable. In the present case, however, we find that the equity of the situation will be best met by the re-establishment of the lawn rate to outside consumers, and by its maintenance until the further order of this Commission.

As the defendant acted in accordance with this Commission's order, and chose one of two alternatives which were open to it under that order, it would not be fair to penalize the defendant for the action which it took, and to require that it repay to its consumers the rates which it has collected in excess of the lawn rate. Beginning May 1, 1914, how-

ever, the lawn rate must be re-established to defendant's outside consumers.

I submit herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled complaint and the matter being at issue and ready for decision,

*It is hereby ordered* that defendant be directed to re-establish, effective for the period beginning May 1, 1914, its so-called "lawn rate," referred to in the opinion which precedes this order, and to re-establish the same in the entire unincorporated territory served by the company, and that within ten days from the receipt of a copy of this order the company file with this Commission such re-established rate.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 1st day of May, 1914.

---

DECISION No. 1473.

IN THE MATTER OF THE APPLICATION OF SANTA CLARA  
WATER AND IRRIGATING COMPANY FOR AN ORDER  
AUTHORIZING AN INCREASE IN RATES.

---

Application No. 136.

*Decided May 1, 1914.*

---

REPORT OF THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

Good cause appearing, it is hereby ordered that the time for the payment of water rental by the Thermal Belt Water Company and the Limoneira Company for the year 1914 be and the same is hereby extended from May 1, 1914, to May 15, 1914.

In all other respects this Commission's order of April 22, 1914, in the above entitled proceeding shall remain in full force and effect.

Dated at San Francisco, California, this 1st day of May, 1914.

## DECISION No. 1474.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO  
WAREHOUSE COMPANY FOR AN ORDER AUTHORIZING  
THE ISSUE OF PROMISSORY NOTES OF THE FACE  
VALUE OF SIXTY THOUSAND DOLLARS AND THE EXE-  
CUTION OF A DEED OF TRUST TO SECURE THE SAME.

---

Application No. 1109.

*Decided May 2, 1914.*

---

Applicant authorized to execute two promissory notes aggregating the face value of \$60,000.00, to deliver same to the Sacramento Bank for the face value thereof, proceeds to be used in the construction of a warehouse in the city of Sacramento.

*Frank J. O'Brien*, for Applicant.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application for authority to issue two promissory notes, one in the sum of \$10,000.00 and one in the sum of \$50,000.00, both payable to the Sacramento Bank, or its order, and to bear interest at the rate of 7 per cent per annum, payable monthly.

Heretofore, on December 26, 1913, applicant executed its two certain promissory notes, one for the sum of \$10,000.00 and one for the sum of \$50,000.00, payable to the Sacramento Bank, and also its deed of trust to secure the same. The first note was to be payable on December 26, 1914, and the second on December 26, 1915. As this Commission's consent was not secured, the second note and also the deed of trust are void, under the provisions of section 52 of the Public Utilities Act.

The Warehouse Company did not understand the law in this respect, and now asks authority to issue new notes and a new deed of trust. The bank has agreed that when certain notes given to the Sacramento Warehouse Company by persons who have subscribed for the stock of that company have been paid, it will then advance to the Sacramento Warehouse Company \$60,000.00 on its two notes, these notes to be secured by a deed of trust on the warehouse company's property. The proceeds of these notes are to be used, together with the proceeds from the sale of stock heretofore authorized by this Commission, for the construction and completion of the company's six-story and basement warehouse in the city of Sacramento.

These notes and this trust deed shall not be executed and delivered to the bank until the bank is ready to pay over the money. I find

further that the proceeds from the execution of these notes are to be used for proper capital expenditures, and that this Commission should authorize the issue of the notes and of the deed of trust as provided in the order herein.

I submit herewith the following form of order :

**ORDER.**

Sacramento Warehouse Company having applied to the Railroad Commission for an order authorizing the issue of the two notes herein-after referred to, together with a deed of trust to secure the same, and a public hearing having been held upon said application, and the Commission finding that the proceeds from the execution of said notes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Sacramento Warehouse Company be and the same is hereby authorized to issue its two promissory notes, one in the sum of ten thousand dollars (\$10,000), to be payable one year after the date of the issue, the other in the sum of fifty thousand dollars (\$50,000), to be payable two years after the date of issue, both notes to be payable to the Sacramento Bank, or order, and to bear interest at the rate of 7 per cent per annum, interest payable monthly, said notes to be substantially in the form attached to the petition herein as Exhibit A-1 and Exhibit A-2, and said company is hereby also authorized to execute to J. M. Henderson, Jr., and W. M. Bowers, parties of the second part, and Sacramento Bank, party of the third part, a deed of trust of all its property, in substantially the form attached to the petition herein as Exhibit A-3, to secure the payment of said notes, on the following conditions and not otherwise, to wit:

1. Sacramento Warehouse Company shall issue said notes for not less than their face value in cash and shall deliver the same only when the payee thereof pays to Sacramento Warehouse Company the face value of these notes, respectively.

2. The proceeds from the issue of said notes shall be used only in the construction and completion of the six-story and basement warehouse of Sacramento Warehouse Company, which is being constructed on lot No. 2 in the block bounded by R, S, Eleventh and Twelfth streets, in the city of Sacramento.

3. Sacramento Warehouse Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the issue of the notes hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission, showing the moneys realized from the issue of said notes and the use and application of such moneys,

all in accordance with the provisions of this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority hereby given to issue notes shall apply only to notes issued by said company on or before the first day of January, 1915.

5. Sacramento Warehouse Company shall file with this Commission a certified copy of said deed of trust, when executed.

6. This order shall not become effective with reference to the two-year note hereinbefore authorized until applicant has paid the fee specified in section 57 of the Public Utilities Act, as amended.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of May, 1914.

---

DECISION No. 1475.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO  
WAREHOUSE COMPANY FOR AN ORDER AUTHORIZING  
THE ISSUE OF STOCK OF THE PAR VALUE OF TWO  
HUNDRED THOUSAND DOLLARS.

---

Application No. 502.

*Decided May 2, 1914.*

---

Supplemental order authorizing applicant to use an additional amount of the proceeds of stock heretofore authorized, but not to exceed the sum of \$4,443.53, for preliminary expenditures.

*Frank J. O'Brien, for Applicant.*

REPORT OF THE COMMISSION.

SUPPLEMENTAL OPINION.

THELEN, *Commissioner.*

In its application dated July 9, 1913, in the above entitled matter, Sacramento Warehouse Company asked this Commission to authorize the issue of capital stock sufficient to produce the sum of \$1,200.00 for organization expenses and furniture for office. The company now finds that this sum is inadequate and estimates that it will be necessary to expend an additional sum amounting to \$4,443.53 for this purpose. This sum represents partly the salary of the general manager and book-keeper, the salary of a stenographer and expenditures for office fur-

niture. The Warehouse Company states that it has been able to reduce somewhat the expenditures heretofore contemplated for the erection of the warehouse itself, and accordingly asks authority to use for the above mentioned purposes the necessary portion of the proceeds of the sale of capital stock amounting to the aggregate sum of \$138,890.00, authorized in subsection (b) of section 1 of this Commission's order of July 23, 1913, in the above entitled proceeding. Applicant hopes to have its warehouse completed in October of this year.

I find that it is necessary to incur expenditures for the purposes mentioned by the applicant, and recommend that the application be granted.

I also recommend that the time within which the stock referred to in this Commission's said order of July 23, 1913, may be issued be extended to July 1, 1915.

I submit herewith the following form of supplemental order:

**SUPPLEMENTAL ORDER.**

Section 1(b) of this Commission's order of July 23, 1913, in the above entitled matter is hereby amended so as to read as follows:

"Sacramento Warehouse Company may issue and sell its common capital stock of a par value of not to exceed \$138,890.00, so as to net said company not less than 90 per cent in cash of the par value thereof, and may apply the proceeds only for the purpose of constructing and completing its proposed six-story and basement steel frame and concrete warehouse building, to be erected on said lot No. 2, in the block bounded by R. S. Eleventh and Twelfth streets, in the city of Sacramento, and also for the payment of the necessary organization and office expenses, the latter not to exceed the sum of \$4,443.53, in addition to the sum heretofore authorized by this Commission to be expended for this purpose."

Section 4 of said order of July 23, 1913, is hereby amended to read as follows:

"4. This order shall apply only to capital stock issued on or before the first day of July, 1915."

In all other respects said order of July 23, 1913, shall remain in full force and effect.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco this 2d day of May, 1914.

Decisions Nos. 1476, 1477, 1478, 1479, 1480, and 1481, grade crossings; not printed.  
See end of volume.

DECISION No. 1482.

IN THE MATTER OF THE APPLICATION OF MOUNT WHITNEY POWER AND ELECTRIC COMPANY FOR AUTHORITY TO ISSUE FIVE HUNDRED THOUSAND DOLLARS OF BONDS.

---

Application No. 984.

*Decided May 4, 1914.*

---

Application of the Mount Whitney Power and Electric Company to issue bonds of the face value of \$500,000.00, to be sold at not less than 95, proceeds to be used for additions and betterments to plant, granted.

*Lilienthal, McKinstry & Raymond and Joseph Haber, Jr., for Applicant.*

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This is an application by Mount Whitney Power and Electric Company for authority to issue \$500,000.00 of 6 per cent thirty-year bonds.

It is proposed to use the proceeds from the sale of these bonds for additional hydroelectric and steam plants, substations, transmission lines and distribution lines. A detailed statement of these improvements was submitted to the Commission in connection with Applications Nos. 287, 436 and 812. The evidence and exhibits submitted in connection with those applications were, by stipulation, made part of the evidence for the purposes of the present application. Reference is also made to the Commission's decisions on those applications for a description of applicant's financial affairs and the new development which the applicant has in progress.

Mount Whitney Power and Electric Company operates in Tulare County and derives its revenue chiefly from power sold for purposes of pump irrigation. It has in prospect new business in certain sections of Tulare County, and desires to extend its lines so as to take on the business offered.

Applicant desires to use the proceeds from the sale of the bonds, in the sum of \$500,000.00, for the purpose of completing its steam plant, for the construction of substations, transmission lines, distribution lines, and for further work upon its hydroelectric projects.



In this connection, it submits the following estimates:

**Steam Plant.**

	Estimated cost	Total cost to April 1, 1914	Cost to complete
1. Boilers and piping.....	\$43,000 00	-----	-----
2. Moving old boilers.....	8,000 00	-----	-----
3. Turbine, condenser and equipment.....	49,000 00	-----	-----
4. Transformers.....	10,000 00	-----	-----
5. Cooling system.....	16,000 00	-----	-----
6. Building.....	29,000 00	-----	-----
	\$155,000 00	\$119,063 81	\$35,936 19

**Sub-Stations.**

7. Venice Hill.....	\$10,000 00	\$8,685 83	\$1,314 17
8. Visalia.....	10,000 00	4,147 10	5,852 90
9. Sugar.....	2,000 00	50 83	1,949 17
10. Tulare.....	39,000 00	9,912 64	29,087 36
11. Tipton.....	65,000 00	11,530 82	53,469 18
12. Delano.....	35,000 00	14,536 18	20,463 82
13. Exeter.....	26,000 00	17,266 26	8,733 74
14. Lindsay.....	18,000 00	11,068 22	6,931 78
15. Porterville.....	24,000 00	7,663 30	16,336 70
16. Ducor.....	8,500 00	416 74	8,083 26
17. Success.....	7,000 00	304 66	6,695 34
	\$244,500 00	\$85,582 58	\$158,917 42

**New Stations.**

18. Woodville.....	\$31,000 00	-----	-----
19. Earlimart.....	20,500 00	-----	-----
20. Goshen.....	13,000 00	No work done	-----
21. Strathmore.....	11,500 00	-----	-----
22. Terra Bella.....	15,000 00	-----	-----
	\$91,000 00	-----	\$91,000 00

**Transmission Extensions.**

23. Main line loop to Exeter.....	\$5,500 00	\$853 80	\$4,646 20
24. Main line Lindsay-Tulare.....	39,000 00	-----	39,000 00
25. Main line Tulare-Visalia.....	29,000 00	No work done	29,000 00
26. Main line Porterville-Ducor.....	15,500 00	-----	15,500 00
27. Main line Porterville-Woodville.....	20,500 00	-----	20,500 00
28. Main line Visalia-Goshen.....	8,500 00	-----	8,500 00
	\$118,000 00	\$853 80	\$117,146 20

## Miscellaneous Extensions.

Visalia arc system.....	\$15,000 00	\$14,516 39	\$453 61
Private telephone system.....	25,000 00		25,000 00
Meters and lighting transformers.....	21,500 00	6,359 16	18,140 84
Miscellaneous expenditures .....	25,000 00	6,175 73	18,824 27
	\$89,500 00	\$27,081 28	\$62,418 72
Grand total .....	\$698,000 00	\$232,581 47	\$465,418 53
To complete Wolverton Dam, as per specifications on file with the Commission .....			112,135 63
Kaweah Power Plant No. 5, as per specifications on file with the Commission .....			75,000 00
Total .....			\$652,554 16
At this time, however, applicant does not ask for authority to issue the bonds for the telephone system in the sum of.....			25,000 00
Leaving a balance for which bonds are desired of.....			\$627,554 16

The trust deed of the applicant allows it to issue bonds up to 80 per cent of the cost of additions and betterments. Against the proposed improvements, in the sum of \$627,554.16, it would be entitled, therefore, under this deed of trust, to issue bonds in the sum of \$500,000.00.

When completed, the steam plant will have a capacity of 10,000 horsepower.

Mr. John Coffee Hays estimated that the present hydroelectric development and the new steam plant will enable the company to take care of all of the new business offered during the year 1914. An additional hydroelectric power plant, known as Kaweah No. 5, will be completed late in 1915 or 1916.

For the year ending December 31, 1913, Mount Whitney Power and Electric Company's bonded debt amounted to..	\$2,165,000 00
Notes payable .....	319,019 75
Accounts, etc., payable.....	150,940 27
Total indebtedness .....	\$2,634,960 02

Mr. Hays stated that an appraisal of the company's properties was under way, but he believed it would show a valuation from \$3,500,000.00 to \$4,000,000.00.

The applicant reports, among its current assets:

Due from consumers and agents.....	\$173,062 28
Miscellaneous accounts receivable .....	151,097 20

It was explained that the item "Due from consumers and agents" represented notes receivable embracing sums due and unpaid from consumers.

It was further explained that the item "Miscellaneous accounts receivable" represented in part a sum due from Mr. John Hays Ham-

mond, who owns a controlling interest in the applicant, and that the balance represented consumers' unpaid bills. Mr. Hays stated that the large amount due from consumers was occasioned by unusual circumstances. He expressed the belief that nearly all of the amount would be collected.

For the calendar year 1913, the applicant reported earnings as follows:

<i>Electric operations:</i>	
Operating revenues -----	\$567,072 31
Operating expenses -----	346,574 47
Net operating revenue electric-----	\$220,497 84
<i>Add:</i>	
Non-operating revenues:	
Miscellaneous rent revenues (electric)----	\$832 65
Interest and dividend revenues: Miscella- neous interest revenues-----	30,029 75
Total interest and dividend revenues-----	30,862 40
Gross corporate income -----	\$251,360 24
<i>Deduct:</i>	
Uncollectible bills-----	\$4,271 86
Non-operating revenue deductions:	
Non-operating taxes -----	409 95
Uncollectible non-operating revenues-----	780 81
Total non-operating revenue deductions--	\$5,462 62
Interest accrued on funded debt_	\$114,918 35
Other interest deductions-----	23,282 75
	138,201 10
Amortization of debt discount and expense--	6,927 68
Total miscellaneous deductions-----	150,591 40
Balance of year carried to corporate surplus-----	\$100,768 84

For the years 1912 and 1913, the applicant paid no dividends, using its surplus for capital purposes.

Under applicant's trust deed, it may issue bonds up to 80 per cent of its additions and betterments and then only when its net earnings, for the twelve consecutive calendar months within the thirteen months immediately preceding the application for the authentication of bonds, shall have been not less than twice the annual interest charge upon the bonds outstanding and those applied for.

While the applicant's earnings at this time are not such as to permit, under these restrictions, of the issue of the entire \$500,000.00 of bonds as applied for, it is the purpose to issue the bonds only as the earnings justify, in accordance with the terms of the trust deed, and the order in this case will so provide.

It is clear, from the hearings upon this and the previous applications of Mount Whitney Power and Electric Company, heretofore referred

to, that the additional power plants, substations, transmission lines and distribution systems are necessary to enable it to meet the growing demands in the section of the State which it serves. This territory is a rapidly expanding agricultural section and power development should anticipate its requirements.

I find that the purposes for which the applicant herein desires to issue bonds as applied for are proper purposes under the Public Utilities Act.

I recommend that the application be granted, and submit the following form of order:

#### ORDER.

Mount Whitney Power and Electric Company having applied to this Commission for authority to issue \$500,000.00 of its 6 per cent thirty-year bonds, secured by deed of trust to Bankers Trust Company of New York, said bonds being dated October 1, 1909, and maturing October 1, 1939; and a hearing having been held, and it appearing that the purposes for which the applicant herein desires to issue said bonds are not, in whole or in part, reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Mount Whitney Power and Electric Company be given authority, and it is hereby given authority, to issue \$500,000.00 of its 6 per cent thirty-year bonds under its deed of trust to Bankers' Trust Company of New York, said bonds bearing date of October 1, 1909, and maturing October 1, 1939.

Said bonds may be issued upon the following conditions and not otherwise:

(1) The proceeds to be derived from the sale of said bonds shall be applied upon the following purposes in accordance with specifications and details filed by the applicant herein with this Commission.

Completion of steam plant.....	\$35,936 19
Distribution lines and sub-stations.....	249,917 42
Main line extensions.....	117,146 20
Wolverton dam .....	112,135 63
Meters and small transformers.....	18,140 84
Miscellaneous additions .....	18,824 27
Kaweah No. 5 .....	75,000 00
Total .....	<hr/> \$627,100 55

(2) Said bonds shall be sold so as to net the applicant not less than 95 per cent of the par value thereof, plus accrued interest, and may be issued only as earnings justify, in accordance with terms of trust deed.

(3) Mount Whitney Power and Electric Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the

company shall make verified reports to the Commission, stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(4) The authority herein given to issue such bonds shall apply only to bonds issued by Mount Whitney Power and Electric Company on or before January 1, 1915.

(5) The authority herein given to issue bonds is conditioned upon the payment of the fee prescribed under the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of May, 1914.

---

DECISION No. 1483.

IN THE MATTER OF THE APPLICATION OF GLENDALE AND  
EAGLE ROCK RAILWAY COMPANY FOR AUTHORITY TO  
ISSUE BONDS IN THE SUM OF ONE HUNDRED AND  
FIFTY THOUSAND DOLLARS.

---

Application No. 1046.

*Decided May 4, 1914.*

---

Supplemental order authorizing applicant to issue additional bonds of the face value of \$50,000.00, proceeds to be used partly for additions and betterments to system and partly to refund J. Frank Walters for money advanced for construction purposes.

REPORT OF THE COMMISSION.

FIRST SUPPLEMENTAL OPINION.

LOVELAND, *Commissioner*.

In its order in the foregoing matter issued on April 11, 1914, this Commission authorized Glendale and Eagle Rock Railway to issue \$65,000.00 of its first mortgage 6 per cent fifteen-year bonds. The proceeds from the sale of these bonds were to be used to refund existing indebtedness amounting to \$38,039.55 and for additions and betterments in the sum of \$21,550.00.

In a supplemental application Glendale and Eagle Rock Railway Company asks for authority to issue additional bonds which, if sold

at 90, would net the company \$62,568.00, or approximately \$70,000.00. It asks to be allowed to issue these additional bonds for the following purposes:

Notes due Pacific Electric Railway for cars-----	\$5,000 00
Equipment:	
One freight locomotive -----	900 00
Two box cars -----	1,800 00
One overhead repair car -----	750 00
Freight track, switches and spurs, freight and passenger depots and platform at Eagle Rock -----	3,250 00
Labor on above -----	500 00
Mesner Vineyard Spur at Wash -----	700 00
Spur at Sparr Orchard, freight shed and platform-----	1,000 00
Difference in cost of bridges at Verdugo Wash-----	500 00
One additional passenger car for Montrose line-----	2,250 00
One 500-kilowatt generator set -----	10,000 00
Bills payable -----	5,791 00
To reimburse J. Frank Walters for moneys advanced-----	30,127 00
<b>Total -----</b>	<b>\$62,568 00</b>

The petition states that it is proposed to put \$35,000.00 of the bonds issued heretofore or to be issued to J. Frank Walters in escrow where they will draw no interest. When this application was first presented, Mr. J. Frank Walters, who owns all of the stock of the corporation, offered the equity in a lot on the southwest corner of Ninth and Wall streets in the city of Los Angeles as security for the payment of the interest upon the bonds. In the supplemental application Mr. Walters offers the equity in this lot as security for the payment of principal as well as the interest on the bonds until such time as the earnings of the road shall be sufficient to pay the interest upon the bonds.

This lot is 100 feet by 140 feet in size and the application values it at \$85,000.00. It is now under mortgage in the sum of \$25,000.00 to the German American Trust and Savings Bank. The applicant estimates the value of the equity at \$60,000.00.

Because of the necessities of this railway and in view of the additional security to be offered, I believe the Commission may authorize additional bonds. The additional equipment is necessary for the purposes of the line, as are the spurs and switches and the new bridge at the Verdugo Wash. The generator set is also necessary and the company is obliged to pay its notes due the Pacific Electric Railway Company to complete the purchase of cars now in service. In addition, the company is obliged to pay certain accounts payable in the sum of \$5,791.00.

I believe the applicant should be allowed to issue bonds for these items in the sum of \$32,441.00.

In addition to the items above enumerated, application is made to issue bonds for the purpose of reimbursing Mr. J. Frank Walters for

money advanced in the sum of \$30,127.00. At this time I shall recommend that bonds be issued to reimburse Mr. Walters in the sum of \$10,000.00. At some future time, if the earnings of the road justify, authority may be given to issue additional bonds to reimburse Mr. Walters.

I therefore believe that authority should be granted to applicant to issue bonds which, if sold at 90, will yield \$42,441.00. In order to make allowances for any readjustment of the various items, I shall recommend that bonds be issued in the sum of \$50,000.00 which, if sold at 90, will yield \$45,000.00.

I recommend the following form of order:

#### ORDER.

Glendale and Eagle Rock Railway Company having applied to this Commission in a supplemental application for authority to issue its first mortgage 6 per cent fifteen-year bonds under a proposed deed of trust to Hellman Commercial Trust and Savings Bank of Los Angeles in the sum of \$70,000.00, and a hearing having been held, and it appearing that the purpose for which it is proposed to issue these bonds in a sum up to \$50,000.00 are not in whole or in part chargeable to operating expenses or to income,

*It is hereby ordered* that Glendale and Eagle Rock Railway Company be given authority and it is hereby given authority to issue \$50,000.00 of said 6 per cent first mortgage bonds. Said bonds may be issued upon the following conditions and not otherwise:

1. Said bonds shall be sold so as to net the applicant herein not less than 90 per cent of par value thereof plus accrued interest.

2. The proceeds from the sale of said bonds shall be used for the following purposes:

Notes due Pacific Electric Railway for cars-----	\$5,000 00
Equipment:	
One freight locomotive -----	900 00
Two box cars -----	1,800 00
One overhead repair car -----	750 00
Freight track, switches and spurs, freight and passenger depots and platform at Eagle Rock -----	3,250 00
Labor on above -----	500 00
Mesnager Vineyard Spur at Wash-----	700 00
Spur at Sparr Orchard, freight shed and platform-----	1,000 00
Difference in cost of bridges at Verdugo Wash-----	500 00
One additional passenger car for Montrose line-----	2,250 00
One 500-kilowatt generator set-----	10,000 00
Bills payable -----	5,791 00
To reimburse J. Frank Walters for moneys advanced-----	10,000 00
Total -----	\$42,441 00

3. The balance of said bonds not used for any of the above purposes may be used for purposes as hereafter may be ordered by this Commission upon application of Glendale and Eagle Rock Railway Company.

4. None of the bonds herein authorized to be issued shall be issued or sold until the applicant shall have received the approval of this Commission in the form of a supplementary order of an amended trust deed which shall include as the security for all bonds issued or to be issued by Glendale and Eagle Rock Railway Company, the equity in a parcel of real estate on the southwest corner of Ninth and Wall streets in the city of Los Angeles, 100 feet by 140 feet in size, owned by J. Frank Walters and subject to a mortgage of \$25,000.00; the equity in said parcel of real estate over and above said mortgage in the sum of \$25,000.00 to be pledged under said trust deed as security both for the principal and interest of said bonds until such time as the annual earnings for three years of the applicant herein shall, under the classification of accounts of the Railroad Commission of California, have been found by this Commission to be sufficient to pay the interest on said bonds.

5. Glendale and Eagle Rock Railway shall submit to this Commission in writing an appraisal of the parcel of real estate at Ninth and Wall streets, Los Angeles, heretofore described, and shall also furnish to this Commission a verified copy of a certificate of title to said property by Mr. J. Frank Walters.

6. The authority herein given is conditioned on the payment of the fee prescribed in the Public Utilities Act.

The foregoing first supplemental opinion and order are hereby approved and ordered filed as the first supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of May, 1914.

---

DECISION No. 1484.

IN THE MATTER OF THE APPLICATION OF CAMPBELL WATER COMPANY TO SELL ITS WATER PLANT TO THE CAMPBELL WATER COMPANY AND OF THE CAMPBELL WATER COMPANY TO PURCHASE THE SAME AND TO ISSUE FOUR HUNDRED AND EIGHTY SHARES OF ITS CAPITAL STOCK IN PAYMENT THEREFOR.

---

Application No. 1065.

*Decided May 5, 1911.*

---

Application of Campbell Water Company to sell its water system to the Campbell Water Company, and of the latter company for permission to issue 480 shares of its capital stock of the par value of \$25.00 per share in exchange therefor, granted.

L. D. Bohnett, for Applicant.

61—10192



## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

Campbell Water Company is engaged in the business of developing and selling water in the town of Campbell, Santa Clara County, and vicinity. It serves 172 patrons with water for domestic use and 15 patrons with water for irrigation purposes.

In Application No. 588, Campbell Water Company applied to this Commission for authority to issue 259 shares of stock. The order in that case authorized the issue of 19 shares but denied the application as to the remaining 240 shares.

In that application request was made to issue 240 shares of the par value of \$25.00 each against a surplus of \$6,000.00 which it was alleged had been invested in the property.

In denying the application in its order of October 31, 1913, the Commission stated that the Public Utilities Act made no provision for a stock issue against the surplus to the extent applied for.

Campbell Water Company in the application herein proposes to transfer its property to a new corporation to accomplish what it sought in Application No. 588. The Campbell Water Company has been formed for the purpose of taking over the water plant. In the application it is asked that the Campbell Water Company be authorized to issue 480 shares of its stock to Campbell Water Company for distribution to the present stockholders of Campbell Water Company.

Campbell Water Company has an authorized stock issue of 1,000 shares of the par value of \$25.00 per share, of which 240 shares are outstanding. In the decision of this Commission in Application No. 588 it was stated that the value of Campbell Water Company's property was approximately \$12,000.00. At the hearing upon the application herein, officials of Campbell Water Company expressed the belief that the value of the property was approximately \$16,000.00. The engineering department of this Commission estimated the present value to be approximately \$13,500.00.

It is now proposed in the application herein that Campbell Water Company transfer all of its properties to the Campbell Water Company and that the Campbell Water Company issue in payment 480 shares of its capital stock of the par value of \$25.00 per share, or a total par value of \$12,000.00.

The Campbell Water Company was organized in December, 1913, with an authorized stock issue of 1,000 shares. It proposes to assume all of the public utility obligations of Campbell Water Company, and to continue the business as heretofore conducted.

For the year ending December 31, 1913, Campbell Water Company paid a dividend of \$1,500.00 to its stockholders.

I recommend that the application be granted and submit the following form of order:

**ORDER.**

Campbell Water Company having made application to this Commission for authority to sell its water plant at Campbell, Santa Clara County, California, to the Campbell Water Company, of Campbell, Santa Clara County, California, and the Campbell Water Company having applied to this Commission for authority to issue 480 shares of its capital stock of the par value of \$25.00 per share to purchase the same; and a hearing having been held, and it appearing that the purpose for which said stock is to be issued is not in whole or in part chargeable to operating expenses or to income,

*It is hereby ordered* that Campbell Water Company be granted authority, and it is hereby granted authority, to sell its property consisting of two lots in the town of Campbell and certain wells, pumping machinery, meters, etc., as described in Schedules C and D on file with this Commission in connection with the application herein.

*It is further ordered* that the Campbell Water Company be given authority and it is hereby given authority to issue 480 shares of its capital stock of the par value of \$25.00 per share to Campbell Water Company in payment for the properties of Campbell Water Company heretofore described.

The authority herein given is given upon the following conditions and not otherwise:

1. Campbell Water Company shall transfer its properties to the Campbell Water Company and the Campbell Water Company shall issue 480 shares of stock in payment therefor on or before October 1, 1914.

2. The Campbell Water Company shall report to this Commission when it shall have acquired the properties of Campbell Water Company and when it shall have issued its stock in payment therefor.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 5th day of May, 1914.

## DECISION No. 1485.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES) FOR RELIEF FROM THE PROVISIONS OF SECTION 21, ARTICLE XII, OF THE CONSTITUTION RELATING TO LONG AND SHORT HAULS AND THROUGH RATES EXCEEDING THE AGGREGATE OF INTERMEDIATE RATES.

---

Case No. 214. (Application No. 1.)

*Decided May 6, 1914.*

---

Application of the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), to increase its one-way fares five cents between Los Angeles and Santa Anita, Arcadia, Monrovia, Duarte, Azusa and Glendora, so that the aggregate of the intermediate fares to and from those points would not be less than the present fares between Los Angeles and San Bernardino, granted on the grounds that the traffic between said points moves via interurban electric line, and increase is therefore immaterial.

*E. W. Camp and E. S. Pillsbury, for Applicant.*

*F. M. Hill, for Fresno Traffic Association.*

*Geo. W. Bradley, for Merchants and Manufacturers' Association of Sacramento.*

*Seth Mann, for Traffic Bureau of the Chamber of Commerce of San Francisco.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

In its Application No. 1 of December 28, 1911, the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), asked for authority to continue to charge for the transportation of passengers and baggage a greater compensation as a through rate between Los Angeles, on the one hand, and Butler, Claremont, Cucamonga, Rochester, San Bernardino, Upland, and Wade, on the other, than the aggregate of the intermediate fares. This application was amended by the petitioner under date of March 30, 1912, and authority requested to increase by 5 cents the fares between Los Angeles and Santa Anita, Arcadia, Monrovia, Duarte, Azusa, and Glendora, so that the aggregate of the intermediate fares to and from those points would not be less than the present fares between Los Angeles and San Bernardino.

In view of the fact that the provision of section 21, article XII of the constitution relating to through rates in excess of the aggregate of in-

intermediate rates is prohibitory and the Commission has no discretionary power in its application as in the case of the long and short haul provision, that part of the application asking that this provision be waived as to the fares specified therein may be dismissed without further consideration.

In justification of the application to increase the fares between Los Angeles and the intermediate points specified in the application the petitioner alleges that in computing the fares between Los Angeles and intermediate points named in the application, on the basis of 3 cents per mile, it dropped or added the odd cents so as to make the fares end in "0" and "5" for convenience in making change in accordance with Western custom. This practice, in some cases, had the effect of making through fares greater than the aggregate of the intermediate fares. It also resulted in many fares being made less than 3 cents per mile, which the petitioner states is its usual basis for one-way, local limited fares between main line stations in this territory. If the practice of dropping odd cents resulted in many fares being less than 3 cents per mile, it likewise in many cases resulted in fares being made greater than 3 cents per mile by similar amounts, for as stated by the petitioner, when the fare ended in "two (2) cents or less the same was dropped, but when the amount was more than two (2) cents it was added." If only the fares which are lower than 3 cents per mile are to be increased and those fares which are greater than 3 cents per mile are permitted to remain, a decidedly one-sided adjustment will result. Further, no evidence was submitted tending to establish 3 cents per mile a reasonable basis. It is also urged that any reduction in the fares between Los Angeles and the points named in original application will affect the proportions accruing to the applicant out of the through rates operated in connection with interstate carriers, inasmuch as a division of these rates is made on a rate prorated basis; also that the fare between Los Angeles and San Bernardino is used as a basing fare and that the reduction in that fare will result in reductions in fares based thereon. These reasons, however, do not justify the increase of the fares between Los Angeles and the intermediate points and manifestly can have no weight in support of this application.

It is further contended that the fares between the distant points which the petitioner is seeking to maintain are just and reasonable in and of themselves, and do not yield more than a reasonable compensation. However, in the absence of proof that the fares between the intermediate points are too low, which the petitioner failed to produce, the presumption that they, too, are reasonable is just as strong as in the case of the fares between the distant points.

Considering the fact alleged by the petitioner that practically no traffic moves on the fares to the intermediate points, which, it is said, is mostly handled by the electric line operating between those points, because of its more frequent train service and lower fares, it appears that no hardship will be worked if the increases are permitted, and I recommend, therefore, that the application be granted solely on the ground that there being practically no movement on the fares between Los Angeles and Santa Anita, Arcadia, Monrovia, Duarte, Azusa, and Glendora, any increase thereof would be but a "paper increase," and therefore the carrier is not put to the necessity of furnishing proof that the rates to the intermediate points are unduly low, to the same degree that it would be were the traffic considerable on the fares which it seeks to increase.

I therefore submit the following form of order:

**ORDER.**

The Atchison, Topeka and Santa Fe Railway Company (Coast Lines), having applied to this Commission for an order granting relief from the provisions of section 21 of article XII of the constitution of the State of California, and permission to charge for the transportation of baggage and passengers a greater compensation as a through rate than between Los Angeles on the one hand, and Butler, Claremont, Cucamonga, Rochester, San Bernardino, Upland, and Wade, on the other, than the aggregate of the intermediate fares, or alternately permission to advance the fares between Los Angeles and Santa Anita, Arcadia, Monrovia, Duarte, Azusa, and Glendora, so that the aggregate of the intermediate fares to and from those points would not be less than the present fares between the more distant points; and a hearing having been held and being fully apprised in the premises and basing its conclusions on the findings in the preceding opinion, the Commission is of the opinion that the application should be granted solely for the reason therein set out,

*It is hereby ordered* that the application of the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), to increase the fare between Los Angeles and Santa Anita, Arcadia, Monrovia, Duarte, Azusa, and Glendora by 5 cents be and the same is hereby granted.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 6th day of May, 1914.

## DECISION No. 1486.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES) FOR RELIEF FROM THE PROVISIONS OF SECTION 21, ARTICLE XII, OF THE CONSTITUTION OF CALIFORNIA, RELATING TO LONG AND SHORT HAULS AND THROUGH RATES EXCEEDING THE AGGREGATE OF INTERMEDIATE RATES.

---

Case No. 214. (Application No. 2.)

*Decided May 6, 1914.*

---

Application of the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), for general authority to continue in effect any fares in violation of the long and short haul provisions of the constitution, indefinitely denied, sufficient time having elapsed in which to have checked tariffs and to have removed such violations.

*E. W. Camp* and *E. S. Pillsbury*, for Applicant.

*F. M. Hill*, for Fresno Traffic Association.

*G. W. Bradley*, for Merchants and Manufacturers' Association of Sacramento.

*Seth Mann*, for Traffic Bureau of the Chamber of Commerce of San Francisco.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

On December 28, 1911, the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), filed its application No. 2 for general authority to continue fares for the transportation of passengers or baggage from any point to any point lower than the fares concurrently in effect to intermediate points, appearing in any of the tariffs issued by said Atchison, Topeka and Santa Fe Railway Company (Coast Lines), or in any of the tariffs issued by other carriers in which the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), is shown as a participating carrier.

The purpose of the application was to secure, as to such passenger fares, a waiver of the provisions of section 21, article XII of the constitution of the State of California, relating to long and short hauls, until the tariffs covered by the application could be thoroughly checked and any violations of the long and short haul provisions of the constitution corrected. No specific instances of departure from the long

and short haul provisions were set out in the application and the applicant, after a superficial examination of such tariffs as to which relief was asked, had not at the time of filing its application been able to locate any such violations. A hearing was duly held and a full investigation of the matters involved in the application was had and a sufficient time has been allowed in which to have checked the tariffs covered by the application for any violations of the long and short haul provisions of the constitution and to have corrected same, and no good reasons appearing why the application should be granted or why the carrier should not now fully comply with the provisions of the constitution and Public Utilities Act as to its passenger fares, I am of the opinion that the application should now be denied.

I submit the following form of order:

**ORDER.**

The Atchison, Topeka and Santa Fe Railway Company (Coast Lines), having applied to this Commission for authority to continue any fares for the transportation of passengers and baggage from any point on its system to any second point on its system in the State of California lower than the fare concurrently in effect to intermediate points, as set out in any tariff issued by it or any tariff issued by any other carrier in which the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), is shown as a participating carrier; and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), has not justified the granting of this application; and basing its order on the foregoing finding of fact,

*It is hereby ordered* that this application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 6th day of May, 1914.

## DECISION No. 1487.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES) FOR RELIEF FROM THE PROVISIONS OF SECTION 21, ARTICLE XII OF THE CONSTITUTION, RELATING TO LONG AND SHORT HAULS AND THROUGH RATES EXCEEDING THE AGGREGATE OF INTERMEDIATE RATES.

---

Case No. 214. (Application No. 3.)

*Decided May 6, 1914.*

---

Application of the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), to continue in effect through fares greater than the aggregate of the intermediate fares or alternately to increase its one-way fares 5 cents between San Francisco and Merced, denied.

*Held.* The provisions of section 21 of article XII of the constitution of the State of California, relating to through rates in excess of the aggregate of intermediate rates is prohibitory, and the Commission is not vested with any discretionary power of its application.

*E. W. Camp and E. S. Pillsbury*, for Applicant.

*F. M. Hill*, for Fresno Traffic Association.

*G. J. Bradley*, for Merchants and Manufacturers' Association of Sacramento.

*Scth Mann*, for Traffic Bureau of the Chamber of Commerce of San Francisco.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

In its Application No. 3 of December 28, 1911, the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), asks for authority to continue to charge for the transportation of passengers and baggage a greater compensation as a through rate between San Francisco, on the one hand, and on the other Angiola, Bakersfield, Corcoran, Fresno, Hanford, Laton, Lone Star, Sultana, Solita, Tulare, Turnbull, Visalia, and Wasco, than the aggregate of the intermediate fares to and from Merced, or alternately, authority is requested to advance the fares between San Francisco and Merced by 5 cents so that the aggregate of the intermediate fares to and from that point would not be less than the present fares between the more distant points.

Inasmuch as the provision of section 21 of article XII of the constitution of the State of California, relating to through rates in excess of the aggregate of intermediate rates is prohibitory, and the Commission is not vested with any discretionary power in its application as in the



case of the long and short haul provision of the constitution, it is necessary to consider in this application only the alternate application for permission to increase the intermediate fares to Merced. (See Decision No. 1401 in Case 214, dated April 4, 1914.)

In justification of its application to increase the fares to Merced the petitioner alleges that the present fare of \$4.05 between San Francisco and Merced was erroneously established by it in July, 1906, at which time it reduced its fare between these points, and that the said fare of \$4.05 between San Francisco and Merced yields less than 3 cents per mile, which is the general basis for one-way, local limited fares of the petitioner in this territory, and further, even if this fare were increased to \$4.10 it would not yield 3 cents per mile to the short line between San Francisco and Merced.

As was said in considering a similar application of the Southern Pacific Company (see Decision No. 1401 in Case 214, dated April 4, 1914), wherein the same reason was put forth in justification of a proposed increase in the fare between Merced and San Francisco via that line, it is obvious that if the fare of \$4.05 between San Francisco and Merced was established erroneously there was ample time since July, 1906, in which to have corrected that fare and to have advanced it to the basis which it is stated was unusually employed in making such fares and that as a reason why the increase should now be allowed such a contention should not carry much weight. That a considerable reduction in the revenue of the petitioner will be brought about if the petitioner is required to establish through fares equal to the sum of the locals to and from Merced, is manifest, as alleged by the petitioner, but that is no reason why the reduction should not be made if the aggregate of the present intermediate fares would constitute a reasonable through rate; nor is there any merit in the contention that no formal complaint as to the reasonableness of any of the fares involved has been made or that the fare which the applicant seeks to increase is on a basis lower than that generally employed by the carrier in the absence of the carrier's affirmative showing that such a basis is just and reasonable and that it should apply in this particular case. In cases of this kind the burden of showing that the present fares are too low in order to justify an increase in rates or fares is upon the applicant. The petitioner has failed to make such a showing and it follows that the application should be so denied and I recommend that it be so ordered.

I submit the following form of order:

**ORDER.**

The Atchison, Topeka and Santa Fe Railway Company (Coast Lines), having applied to this Commission for an order granting relief from the provisions of section 21, article XII of the constitution of California,

and permission to charge for the transportation of passengers and baggage a greater compensation as a through rate between San Francisco, on the one hand, and Angiola, Bakersfield, Corcoran, Fresno, Hanford, Laton, Lone Star, Sultana, Solita, Tulare, Turnbull, Visalia, and Wasco, on the other, than the aggregate of the intermediate fares to and from Merced, or alternately to advance the fares between San Francisco and Merced, 5 cents so that the aggregate of such intermediate fares to and from that point would not be less than the present fares between the more distant points; and a hearing having been held and being fully apprised in the premises, the Commission finds as a fact that the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), has not justified its application to increase the one-way fare between San Francisco, on the one hand, and Merced on the other; and basing its order on the foregoing finding and the findings in the opinion preceding this order.

*It is hereby ordered* that the application be and the same is hereby denied.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 6th day of May, 1914.

---

DECISION No. 1488.

IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES) FOR RELIEF FROM THE PROVISIONS OF SECTION 21, ARTICLE XII OF THE CONSTITUTION OF THE STATE OF CALIFORNIA RELATING TO LONG AND SHORT HAULS AND THROUGH RATES EXCEEDING THE AGGREGATE OF INTERMEDIATE RATES.

---

Case No. 214. (Application No. 4.)

*Decided May 6, 1914.*

---

Application of the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), for authority to charge a greater compensation as a through rate between Los Angeles, Orange and Santa Ana and San Diego and intermediate points than the aggregate of the intermediate fares, denied.

Applicant given sixty days in which to present a tariff, completely eliminating the violations of the constitutional provisions, for approval and authorization of the Commission.

*E. W. Camp* and *E. S. Pillsbury*, for Applicant.

*F. M. Hill*, for Fresno Traffic Association.

*G. J. Bradley*, for Merchants and Manufacturers' Association of Sacramento.

*Seth Mann*, for Traffic Bureau of the Chamber of Commerce of San Francisco.

REPORT OF THE COMMISSION.

*LOVELAND, Commissioner.*

In its Application No. 4 of December 28, 1911, the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), asks for authority to continue to charge for the transportation of passengers and baggage a greater compensation as a through rate between Los Angeles, Orange, and Santa Ana, on the one hand, and San Diego and intermediate points on the other, than the aggregate of the intermediate fares.

The petitioner also asks that in the event the Commission decides that it has no power to waive the provision of section 21, article XII of the constitution relating to through rates in excess of intermediate rates, that the petitioner be given the opportunity of reconstructing its tariffs so as to eliminate any difference in the aggregate of the intermediate fares and the through fares. Inasmuch as the provision of section 21 of article XII of the constitution relating to through rates in excess of the aggregate of intermediate rates is prohibitory and the Commission is not vested with any discretionary power in its application as in the case of the long and short haul provision, it follows that the application of the petitioner for a waiver of this section as to the fares therein specified must be dismissed, and I would recommend that the alternate application of the petitioner to reconstruct its tariffs so as to bring the fares therein contained within the provisions of the constitution be granted and that the petitioner be given sixty (60) days in which to present to the Commission, if applicant desires to do so, for its approval or rejection, tariffs completely eliminating the violations of the constitution. Applicant will, of course, bear in mind that, under the provisions of section 63 of the Public Utilities Act, any increase in rates must be clearly justified.

I submit the following form of order:

ORDER.

The Atchison, Topeka and Santa Fe Railway Company (Coast Lines), having applied to this Commission for an order granting relief from the provisions of section 21, article XII of the constitution of California and permission to charge for the transportation of passengers and baggage a greater compensation as a through rate between Los Angeles, Orange, and Santa Ana, on the one hand, and on the other San Diego and intermediate points, than the aggregate of the intermediate points, or alternately to be given the opportunity to reconstruct such fares so as to bring same within the provision of the constitution, and a

hearing having been held and being fully apprised in the premises, and the Commission being of the opinion that the petitioner should be given an opportunity to so readjust its fares as to bring the same within the constitutional provisions,

*It is hereby ordered* that the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), present to this Commission for its approval, within sixty (60) days from the effective date of this order, a tariff of passenger fares between Los Angeles, Orange, and Santa Ana, on the one hand, and on the other San Diego and intermediate points, constructed in accordance with the provisions of section 21, article XII of the constitution.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated as San Francisco, California, this 6th day of May, 1914.

---

DECISION No. 1489.

**IN THE MATTER OF THE APPLICATION OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES) FOR RELIEF FROM THE PROVISIONS OF SECTION 21 OF ARTICLE XII OF THE CONSTITUTION OF CALIFORNIA, RELATING TO LONG AND SHORT HAULS AND THROUGH RATES EXCEEDING THE AGGREGATE OF INTERMEDIATE RATES.**

---

Case No. 214. (Application No. 5.)

*Decided May 6, 1914.*

---

Application of the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), for general authority to continue in effect "the principles, bases and adjustments upon which were constructed passenger fares and excess baggage charges," denied. The reasons submitted in justification of such a general authority not sufficient to warrant the Commission granting same, if it has the power to do so.

*E. W. Camp and E. S. Pillsbury*, for Applicant.

*F. M. Hill*, for Fresno Traffic Association.

*G. J. Bradley*, for Merchants and Manufacturers' Association of Sacramento.

*Seth Mann*, for Traffic Bureau of the Chamber of Commerce of San Francisco.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

On December 28, 1911, the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), filed its application No. 5 for authority to continue generally "the principles, bases and adjustments upon which were constructed passenger fares and excess baggage charges now lawfully on file with the Railroad Commission of the State of California," and in support of said petition alleged "that such principles, bases and adjustments are fair and reasonable in and of themselves and do not result in charges that are excessive or discriminatory," and that no formal complaints were pending against same.

The application is of an omnibus nature, and its purpose is apparently to secure to the applicant exemption from compliance with section 21, article XII of the constitution, in the future, when making charges in fares or adjustments which bring about violations of said provisions until it is practicable or convenient to the applicant to adjust other fares and thereby eliminate such violations.

A regular hearing was held but no additional evidence was submitted as to the necessity for such a general authorization, and the reasons alleged in the application being considered insufficient to warrant the Commission granting such a general authority, if it has the power to do so, and being of the opinion that such conditions as set out in the application can be fully met when they arise, I am of the opinion that the application should be denied.

I submit the following form of order:

**ORDER.**

The Atchison, Topeka and Santa Fe Railway Company (Coast Lines), having applied to this Commission for authority to continue "the principles, bases and adjustments upon which were constructed passenger fares and excess baggage charges now lawfully on file with the Railroad Commission of the State of California," and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that the Atchison, Topeka and Santa Fe Railway Company (Coast Lines), has not justified the granting of said application; and basing its order on the foregoing finding of fact,

*It is hereby ordered* that the application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 6th day of May, 1914.

DECISION No. 1490.

FLORENCE LOCKE

vs.

BOLINAS WATER AND POWER COMPANY.

Case No. 491.

*Decided May 7, 1914.*

## REPORT OF THE COMMISSION.

## ORDER OF DISMISSAL.

The issues raised in the complaint in this proceeding having been determined by this Commission's order in Application No. 986—In the matter of the application of Bolinas Water and Power Company, a corporation, for permission to raise water rates, made on April 28, 1914—and it appearing that said order covers the subject-matter of the complaint in the present proceeding,

*It is hereby ordered* that the complaint in this proceeding be and the same is hereby dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 7th day of May, 1914.

DECISION No. 1491.

IN THE MATTER OF THE APPLICATION OF ROSEVILLE  
HOME TELEPHONE COMPANY TO SELL ITS TELEPHONE  
SYSTEM TO ROSEVILLE TELEPHONE COMPANY AND OF  
ROSEVILLE TELEPHONE COMPANY TO ISSUE STOCK.

Application No. 917.

*Decided May 7, 1914.*

Roseville Home Telephone Company authorized to sell its telephone system, located in the city of Roseville, to the Roseville Telephone Company, and the latter company authorized to issue \$11,000.00 par value of its capital stock in exchange therefor.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

Roseville Home Telephone Company, which supplies telephone service in and about Roseville, Placer County, California, having applied to this Commission for permission to sell, unincumbered, its entire telephone system to Roseville Telephone Company in consideration of capital stock

of said Roseville Telephone Company of the par value of \$11,122.24, and Roseville Telephone Company having applied for authority to issue this amount of stock in exchange for the entire telephone system of Roseville Home Telephone Company, and the Commission having carefully investigated the merits of this application and being of the opinion that the same should be granted in all particulars except that Roseville Telephone Company should be authorized to issue not more than \$11,000.00 par value of its stock in exchange for the entire telephone system of Roseville Home Telephone Company,

*It is hereby ordered* that Roseville Home Telephone Company be and it is hereby authorized to transfer to Roseville Telephone Company in exchange for \$11,000.00 par value of the capital stock of said company, the entire telephone system now owned by Roseville Home Telephone Company and used in supplying telephone service in and about Roseville, Placer County, California, the property to be transferred being more particularly described in the inventory filed in this proceeding and marked "Exhibit D"; and

*It is further ordered* that Roseville Telephone Company be and it is hereby authorized to issue its capital stock of the par value of \$11,000.00 to Roseville Home Telephone Company upon the following conditions, and not otherwise:

(1) Said stock shall be issued to the Roseville Home Telephone Company in exchange for the entire telephone system, unincumbered, of Roseville Home Telephone Company herein authorized to be transferred.

(2) Roseville Telephone Company shall keep separate, true, and accurate accounts, showing the disposition of the stock herein authorized to be issued; and shall, whenever any of said stock is issued, make a verified report to this Commission setting forth fully all the details of the transaction;

(3) The authority herein granted to Roseville Telephone Company to issue stock shall apply only to stock issued on or before July 1, 1914;

(4) Roseville Telephone Company shall issue no stock for the property herein authorized to be transferred until it shall have filed with this Commission a stipulation stating that said company shall give as extensive and adequate telephone service as has heretofore been supplied by Roseville Home Telephone Company;

(5) The par value of the stock herein authorized to be issued shall not be taken before this Commission nor any other public body as representing for rate fixing purposes the actual value of the property transferred.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of May, 1914.

## DECISION No. 1492.

CHARLES MITCHELL WHITAKER

vs.

SNOWBALL-SULLIVAN COMPANY AND PALMDALE WATER  
COMPANY.

Case No. 510.

*Decided May 7, 1914.*

Complainant, owning certain farming property near Palmdale, Los Angeles County, petitions the Commission to compel defendant to serve him with water for irrigation purposes.

*Held.* That complainant's property is not within the territory which defendant has held itself out as serving, that defendant's supply of water is not sufficient to serve additional acreage at the present time, complaint dismissed.

*H. W. McNutt*, for Complainant.

*Gray, Barker & Bowen* and *Donald Barker*, for Palmdale Water Company.

*William C. Petchner*, for Littlerock Fruitland Company and *J. F. O'Brien*, intervenors.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an action to compel the defendant Palmdale Water Company, admittedly a public utility, to supply water for domestic and irrigation purposes to the southwest quarter of section 4, township 5 north, range 11 west, San Bernardino base and meridian. This property was purchased by the complainant on August 12, 1912, and is located southeasterly from Palmdale, in Los Angeles County. The amended complaint alleges, in effect, that the land in question was owned on March 23, 1896, by one Jacob Rathke; that Rathke, together with other persons in the vicinity, owned stock in the East Palmdale Water Company; that the South Antelope Valley Irrigation Company purchased these shares of stock and as part consideration therefor entered into a contract, a copy of which is attached to the amended complaint as Exhibit A, whereby the Antelope Valley Company agreed that it would at all times when there is sufficient water on hand for that purpose, provide the parties therein specified, including Rathke, and all subsequent owners and occupiers of lands at that time occupied by said parties, with "sufficient water to properly irrigate and cultivate said lands at the same rates and on like terms and conditions that other users of water obtain the same from said South Antelope Valley Irrigation Company," and without any discrimination whatever against the par-



ties who were assigning their shares of stock in the East Palmdale Water Company; that subsequently, the Palmdale Water Company acquired all the rights of the South Antelope Valley Irrigation Company and that said company, as the successor of the South Antelope Valley Irrigation Company, is now under obligation to supply water to complainant under the contract of March 23, 1896. Complainant accordingly asks this Commission to make an order compelling the Palmdale Water Company to furnish water to him for irrigation and cultivation purposes, and to carry out the terms and conditions of said contract of March 23, 1896.

The Palmdale Water Company, in its answer, denies the material allegations of the complaint. The company, while admitting that it has acquired a portion of the property formerly owned by the South Antelope Valley Irrigation Company, denies that it had any knowledge, either actual or constructive, of complainant's claim. The company takes the position that any right which the predecessors of the complainant may have had to receive water has long since been lost by the failure to continue the use of the water appropriated from the Little Rock Creek by the East Palmdale Water Company. The Palmdale Water Company also contends that the complainant is not at present within the class of persons whom the company is obligated to serve. The company further makes the point that this Commission has no jurisdiction to enforce the contract of March 23, 1896, and that the remedy for the possible breach of contract lies in an action in the courts and not in a proceeding before this Commission.

The Littlerock Fruitland Company and J. F. O'Brien intervened, and claimed that they are within the class which the Palmdale Water Company is obligated to serve, and that the complainant is not within this class and should not be admitted thereto. The evidence shows that during the early nineties complainant's land was owned by Jacob Rathke; that he cultivated at least ten acres and received water from a ditch of the East Palmdale Irrigation Company; that this ditch was washed out in 1894 or 1895, and has never been repaired; that Rathke was one of the parties who entered into the agreement of March 23, 1896, to which reference has hereinbefore been made; that Rathke moved away about 1898 or 1899, and that the land now owned by complainant has never since been cultivated; that the last water which was taken into the Harold reservoir of the South Antelope Valley Irrigation Company was taken in in 1902, and that the last water taken out prior to the last year or two, was in 1904; that the South Antelope Valley Irrigation Company became financially embarrassed and that subsequent to 1904, its system was no longer operated and that no water was delivered through the same until a year or two ago, when the Palmdale Water Company bought a portion of the properties formerly owned by

the South Antelope Valley Irrigation Company and undertook the rehabilitation of the system.

Under these circumstances, I am of the opinion that the owners of complainant's land lost any legal rights which they may have had to the use of water growing out of the contract of March 23, 1896. That this is the case seems to have been definitely established by the Supreme Court of this State in *Smith vs. Hawkins*, 110 Cal. 122. After referring to the fact that the legislature has made no specific declaration as to the period of non-user necessary to work a forfeiture of the right to water, the court, at page 127, says:

"In this State five years is the period fixed by law for the ripening of an adverse possession into a prescriptive title. Five years is also the period declared by law after which a prescriptive right depending upon enjoyment is lost for non-user; and for analogous reasons we consider it to be a just and proper measure of time for the forfeiture of an appropriator's rights for a failure to use the water for a beneficial purpose.

"Considering the necessity of water in the industrial affairs of this State, it would be a most mischievous perpetuity which would allow one who has made an appropriation of a stream to retain indefinitely, as against other appropriators, a right to the water therein, while failing to apply the same to some useful or beneficial purpose. Though during the suspension of his use other persons might temporarily utilize the water unapplied by him, yet no one could afford to make disposition for the employment of the same, involving labor or expense of any considerable moment, when liable to be deprived of the element at the pleasure of the appropriator, and after the lapse of any period of time, however great."

The court then reaches its conclusion as follows:

"The failure of plaintiffs to make any beneficial use of the water for a period of more than five years next preceeding the commencement of the action, as found by the court, results from what has been said in a forfeiture of their rights as appropriators."

Accordingly, it follows that the East Palmdale Water Company and the South Antelope Valley Irrigation Company both lost their rights as appropriators of water from the Little Rock Creek, and that the complainant has no right to compel the delivery of water by the Palmdale Water Company, growing out of the contract of March 23, 1896.

The question remains whether, irrespective of prior contractual relations, the complainant is now within the class which this Commission can and should direct the Palmdale Water Company to serve.

The evidence in this case shows that early in January, 1913, the Palmdale Water Company bought certain of the property of the South Antelope Valley Irrigation Company (see application of South Antelope Valley Irrigation Company to sell its water system and appurtenances to Palmdale Water Company, Vol. 2, Opinions and Orders of

the Railroad Commission of California, page 71), and that at this time the Palmdale Water Company obligated itself to supply water to the following lands:

Acreage derived from South Antelope Valley Irrigation Company -----	2,140	acres
Water users of South Antelope Valley Irrigation Company's system -----	571	acres
Littlerock Fruitland Company -----	1,323 6/10	acres
Total -----	4,034 6/10	acres

The evidence further shows that the engineer of the Palmdale Water Company was instructed to construct an irrigation system on the basis of serving the land hereinbefore indicated, together with some 800 acres of land subsequently purchased by the Palmdale Land Company and 225 acres constituting the townsite of Palmdale, thus making a total acreage to be served amounting to 5,059 6/10 acres. The evidence further shows that complainant's property is located some four miles from the Harold reservoir and at least one mile from any property which the Palmdale Water Company has contracted to serve; that it is physically possible to serve the complainant's land from the Harold reservoir, but that a dirt ditch would be wasteful and that a steel pipeline would cost about \$20,000.00. Mr. T. D. Allin, the engineer of the Palmdale Water Company, testified that the number of acres of land which can be safely irrigated from this system will not exceed 4,486 acres, with a probability of some 980 acres additional hereafter, when the property has been fully developed. He testified further that if the lands which the Palmdale Water Company has obligated itself to serve are irrigated, there will be no water remaining for complainant's land.

It is obvious that there must be some method of delimiting the territory which a water utility is obligated to serve. Referring to this question, this Commission in *Tyndale Palmer vs. Southern California Mountain Water Company* (Vol. 2, Opinions and Orders of the Railroad Commission of California, page 63), uses the following language:

"There remains to be determined wherein the power to admit into the class up to the limit of the supply resides. The Supreme Court in the *Leavitt* case (*Leavitt vs. Lassen Irrigation Company*, 157 Cal. 82) has said that the company may restrict its boundaries, and even if the position of the complainants were correct, the limitations at the time of the appropriation would be a recognition of this power. This power of limitation given to the company that does not exist with reference to common carriers is warranted only by the public necessity therefor, and in confining the agencies entitled so to limit their consumers to water companies having a limited amount of water, the court certainly recognizes that the public necessity should require this limitation. If the public necessity requires it, then, on the failure of the company to respond to this public necessity, the State certainly can require such response through governmental restraint or compulsion. I believe we can not escape the conclusion that the State has the power to

put in the hand of some governmental agent the power to determine the 'class' which has been discussed in the decisions we have been considering."

Subsequent to this decision, and apparently as a result thereof, the legislature of 1913, in enacting chapter 80 of the Laws of 1913, provided in section 5 thereof as follows:

"Sec. 5. Whenever the Railroad Commission, after a hearing had upon its own motion or upon complaint, shall find that any water company which is a public utility operating within this State has reached the limit of its capacity to supply water and that no further consumers of water can be supplied from the system of such utility without injuriously withdrawing the supply wholly or in part from those who have theretofore been supplied by such corporation, the Railroad Commission may order and require that no such corporation shall furnish water to any new or additional consumers until such order is vacated or modified by the said Commission. The Commission shall likewise have the power after hearing upon its own motion or upon complaint, to require any such water company to allow additional consumers to be served when it shall appear that to supply such additional consumers will not injuriously withdraw the supply wholly or in part from those who theretofore had been supplied by such public utility."

It will thus be noted that the legislature of this State has given to this Commission the power to require, on the one hand, that a water utility shall not furnish water to new or additional consumers, and, on the other hand, to require, in a proper case, that a water company shall allow additional consumers to be served.

This Commission will not compel a water company to extend its mains to serve additional customers, not lying in the territory which the utility has marked out for its service, unless the evidence in the case shows that it is fair and reasonable to make such order. On the evidence introduced in this case I find that under existing conditions, including the amount of water available to the Palmdale Water Company, the acreage which that company has obligated itself to serve, and the expense to which the Palmdale Water Company would be put in order to reach complainant's land, it would not be reasonable to compel the Palmdale Water Company to serve the complainant's land with water. Complainant is not within the territory which the Palmdale Water Company has marked out for its service of water, he is not within the territory for which the water system of the Palmdale Water Company is being constructed, the Palmdale Water Company has not on hand a supply of water sufficient to justify service to the complainant and others in his position, and the expense of extending the system of the Palmdale Water Company to complainant's land would be so great as to make it unreasonable to compel the Palmdale Water Company to make such extension. On all of the facts of the case, I find that this

Commission can not fairly and reasonably make its order compelling the Palmdale Water Company to serve the complainant's land.

The attention of the Palmdale Water Company, however, should be directed to the fact that if they hereafter undertake to serve any territory outside of the 5,059 6/10 acres hereinbefore referred to, they must do so without discrimination and without favor to any particular lands as against other lands.

I recommend that the complaint be dismissed and submit herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled matter and the case having been submitted and being now ready for decision, the Railroad Commission finds as a fact that it would not be fair and reasonable to compel the Palmdale Water Company to extend its water system and to serve water to the complainant's lands.

Basing its order on this finding and on the other findings which are contained in the opinion which precedes this order,

*It is hereby ordered* that the complaint in the above entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of May, 1914.

---

Decisions Nos. 1493, 1494, 1495, 1496, 1497, 1498, and 1499, grade crossings; not printed. See end of volume.

**DECISION No. 1500.**

**CITY OF CRESCENT CITY**

*vs.*

**THE CRESCENT CITY LIGHT, WATER AND POWER COMPANY ET AL.**

---

Case No. 520.

*Decided May 12, 1914.*

---

**REPORT OF THE COMMISSION.**

**ORDER OF DISMISSAL.**

Complainant in the above entitled proceeding having made written request to this Commission that the complaint in said case be dismissed,

*It is hereby ordered* that the same be, and it hereby is, dismissed without prejudice.

Dated at San Francisco, California, this 12th day of May, 1914.

Decisions Nos. 1501 and 1502, grade crossings; not printed. See end of volume.

DECISION No. 1503.

IN THE MATTER OF THE APPLICATION OF THE SIERRA  
MADRE WATER COMPANY FOR AUTHORITY TO SELL  
ITS WATER SYSTEM TO THE CITY OF SIERRA MADRE.

---

Application No. 1101.

*Decided May 14, 1914.*

---

Applicant authorized to sell its certain water system located in the city of Sierra Madre to said city for the sum of \$108,952.01.

*F. C. Valentine, for Applicant.*

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner.*

This is an application by Sierra Madre Water Company for authority to sell its water system to the city of Sierra Madre, Los Angeles County.

In August, 1911, the city of Sierra Madre entered into an agreement with the Sierra Madre Water Company to purchase the latter's system for the sum of \$96,000.00, and to pay in addition the cost of any extensions made by the Sierra Madre Water Company between the date of the agreement and the actual acquisition of the properties by the city of Sierra Madre.

On November 2, 1911, the city of Sierra Madre voted bonds in the sum of \$111,000.00 to acquire the water system. Application is now made to this Commission by Sierra Madre Water Company for authority to transfer its properties to the city of Sierra Madre. The total price to be paid for the system was placed at \$108,952.01, the amount over and above \$96,000.00 representing the cost of the improvements made by the Sierra Madre Water Company subsequent to the agreement with the city.

No inventory of this property was submitted at the hearing, but evidence was offered that the price was agreed upon after careful consideration by the city of Sierra Madre.

I recommend that the application be granted and submit herewith the following form of order:

ORDER.

Sierra Madre Water Company having made application to this Commission for authority to transfer its water system to the city of Sierra Madre, and it appearing that said application should be granted,

*It is hereby ordered* by the Railroad Commission of the State of California that Sierra Madre Water Company is hereby authorized to sell its water system to the city of Sierra Madre for the sum of \$108,952.01. Upon consummation of said sale a certified copy of the instrument of conveyance shall be filed with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of May, 1914.

---

DECISION No. 1504.

IN THE MATTER OF THE APPLICATION OF DOWNEY LIGHT,  
POWER AND WATER COMPANY FOR AUTHORITY TO  
SELL ITS ELECTRIC SYSTEM IN LOS ANGELES COUNTY  
TO SOUTHERN CALIFORNIA EDISON COMPANY.

---

Application No. 1058.

*Decided May 14, 1914.*

---

Downey Light and Power Company authorized to sell to the Southern California Edison Company, for the sum of \$50,938.30, its certain electrical distributing system in the town of Downey, Los Angeles County, provided that purchaser shall place in effect a schedule of rates similar to those now in effect over the balance of its system.

*Kendrick & Ardis*, for Downey Light, Power and Water Company.

*H. H. Trowbridge* and *Harry J. Bauer*, for Southern California Edison Company.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Downey Light, Power and Water Company to sell its electric distributing system in Downey, Los Angeles County, to the Southern California Edison Company, for \$50,938.30. The applicant is now supplying Downey and vicinity with electricity for lighting purposes at 15 cents per kilowatt hour and for power purposes at 6½ cents per kilowatt hour. The Southern California Edison Company proposes, if given authority to purchase this property, to sell electricity for lighting purposes on a sliding scale from 7 cents per kilowatt hour to 2½ cents per kilowatt hour, and for power purposes on a scale from 6 cents per kilowatt hour to 1½ cents per kilowatt hour.

The Downey Light, Power and Water Company now purchases electricity from the Southern California Edison Company and thereafter distributes it to its patrons. The two systems are now connected, and the properties of the Downey Light, Power and Water Company will fit into the Southern California Edison system.

The Commission has made no detailed investigation of the price to be paid. It is clearly in evidence, however, that the Southern California Edison Company will be enabled to sell electricity at substantially lower rates than the Downey Light, Power and Water Company, and will be in a position to render more efficient service than the applicant herein.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

Application having been made by the Downey Light, Power and Water Company for an order authorizing it to sell its electrical system in Downey, Los Angeles County, to the Southern California Edison Company, and it appearing to the Commission that the application should be granted,

*It is hereby ordered* by the Railroad Commission of the State of California that Downey Light, Power and Water Company be given authority, and it is hereby given authority, to sell its electric distribution system in Downey and vicinity to the Southern California Edison Company, an inventory of which system is attached to the application herein and marked Exhibit "E."

The authority herein given for said sale is given upon the following conditions, not otherwise:

1. The price to be paid by the Southern California Edison Company shall not be binding upon this Commission, or any other public regulating body, in any consideration where the value of the properties transferred shall be under consideration.

2. The authority herein granted shall apply to such transfers of property as shall have been made on or before December 31, 1914.

3. Southern California Edison Company shall assume and carry out the agreements of Downey Light, Power and Water Company to return in service to the consumers of said last named company, advances made as a condition precedent to the securing of service.

4. Downey Light, Power and Water Company shall notify this Commission in writing after it shall have transferred its properties to Southern California Edison Company, and shall file with this Commission a certified copy of the instrument of conveyance.



5. Immediately upon taking possession of said plant or system, Southern California Edison Company shall put in effect the schedule of rates now in effect generally over its system, and which is a sliding scale from 7 cents per kilowatt hour to  $2\frac{1}{2}$  cents per kilowatt hour for lighting purposes, and from 6 cents per kilowatt hour to  $1\frac{1}{2}$  cents per kilowatt hour for power purposes.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of May, 1914.

---

DECISION No. 1505.

IN THE MATTER OF THE APPLICATION OF THE LONG BEACH CONSOLIDATED GAS COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES UNDER A CERTAIN FRANCHISE GRANTED TO IT BY THE COUNTY OF ORANGE, STATE OF CALIFORNIA.

---

Application No. 1113.

*Decided May 14, 1914.*

---

Applicant granted a certificate of public convenience and necessity authorizing it to construct and operate a gas distributing system to and within the town of Bay City, Orange County.

*Harry J. Bauer*, for Applicant.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Long Beach Consolidated Gas Company for an order of the Commission declaring that public convenience and necessity require the exercise of rights and privileges contained in the franchise granted by Orange County enabling the applicant to serve gas to the unincorporated town of Bay City, Orange County. Bay City is at present without gas service. Ninety persons have signed as prospective users of gas and have contributed \$5,700.00 as advance payment for the construction of the applicant's proposed line to Bay City. It is proposed by the Long Beach Consolidated Gas Company to retail gas in Bay City at the rate of \$1.00 per thousand feet.

I find that public convenience and necessity require that the applicant be granted authority to exercise the rights and privileges granted by the said franchise, and I submit herewith the following form of order:

**ORDER.**

Long Beach Consolidated Gas Company having made application to this Commission for an order declaring that public convenience and necessity require the exercise of rights and privileges granted under Ordinance No. 315 (N. S.) of Orange County, it is hereby found as a fact that public convenience and necessity require that applicant herein exercise the rights and privileges granted in said ordinance, and

*It is hereby ordered* by the Railroad Commission of the State of California that Long Beach Consolidated Gas Company be given authority and it is hereby given authority to exercise the rights and privileges granted by Ordinance No. 315 (N. S.) of Orange County.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of May, 1914.

---

DECISION No. 1506.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR ADDITIONAL TIME IN WHICH TO ISSUE SEVEN HUNDRED FIFTY THOUSAND DOLLARS PREFERRED STOCK.

---

Application No. 568.

*Decided May 14, 1914.*

---

Applicant authorized to issue \$325,000.00 par value of stock, which amount represents a portion of a former authorization remaining unsold at date of expiration of former order.

*Carl Taylor*, for Applicant.

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This Commission has heretofore by order and supplemental order authorized applicant to sell \$750,000.00 par value of its preferred stock. Acting under said orders applicant delivered to N. W. Halsey & Company of New York certificates for the entire amount of stock so authorized. Thereafter, all but \$325,000.00 par value of said stock was dis-

posed of to European investors. Prior to the expiration of the orders of the Commission Halsey & Company gave credit to Southern California Gas Company for \$325,000.00 par value of this stock at a price of 80, and entered such credit upon its books.

Thereafter, and before the actual delivery of the money to Southern California Gas Company, the order of the Commission expired by reason of the limitation of time prescribed therein, and some question has arisen as to whether or not the delivery of the certificates of stock to Halsey & Company and the entry by said company upon its books of a credit for the purchase price of said stock is technically an issue of this stock as defined by this Commission, to wit, a delivery for value.

I am satisfied from the evidence in this matter that there was a real intention upon the part of Halsey & Company to purchase this stock, and that the entry of a credit for the purchase price upon its books in favor of Southern California Gas Company was equivalent to the delivery of the money, and, therefore, I recommend that this application be granted, and that an order be made authorizing Southern California Gas Company to sell to N. W. Halsey & Company \$325,000.00 par value of its preferred stock under the terms and conditions of the orders heretofore made herein.

I submit herewith the following form of order:

**ORDER.**

Application having been made by Southern California Gas Company for an order authorizing the sale of \$325,000.00 par value of its preferred stock, and a hearing having been duly held and it appearing to the Commission that the purposes for which the proceeds of the sale of said stock are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that the purposes for which said proceeds are to be used are such as are set out in the Public Utilities Act.

*It is hereby ordered* by the Railroad Commission of the State of California that Southern California Gas Company is hereby authorized to sell to N. W. Halsey & Company \$325,000.00 par value of its preferred stock.

Said stock shall be issued and sold under all of the conditions set out in the orders heretofore made herein.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this 14th day of May, 1914.

## DECISION No. 1507.

IN THE MATTER OF THE APPLICATION OF CLEAR LAKE RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF FIVE HUNDRED THOUSAND DOLLARS AND CAPITAL STOCK OF THE PAR VALUE OF TWO HUNDRED THOUSAND DOLLARS.

---

Application No. 651.

*Decided May 14, 1914.*

---

Applicant authorized to issue its capital stock of the par value of \$75,000.00; \$25,000.00 par value to be issued in exchange for certain frontages on Clear Lake, the balance to be sold at par; and \$500,000.00 face value of bonds to be sold at not less than 94, none of such stock or bonds to be sold until applicant shall have filed and obtained the Commission's approval of a plan of construction as outlined.

*Haven & Athearn and F. G. Athearn, for Applicant.*

REPORT OF THE COMMISSION.

SUPPLEMENTAL OPINION.

THELEN, *Commissioner.*

In its order heretofore rendered on October 29, 1913, in the above entitled application, this Commission conditionally authorized Clear Lake Railroad Company to issue certain stock and bonds for the purpose of constructing a standard gauge railroad from a junction with the line of the Northwestern Pacific Railroad Company at Hopland, in Mendocino County, to Lakeport, in Lake County. The applicant was directed to present to the Commission a detailed financial plan in accordance with the terms of the Commission's order, whereupon it was contemplated that the Commission would issue a supplemental order authorizing the issue of the required stock and bonds.

Applicant has now presented to this Commission a revised estimate of the amount of money necessary to complete and equip its line of railroad for operation. This estimate was prepared by F. T. Robson.

was introduced at the hearing as Applicant's Exhibit No. 1, and reads as follows:

**Estimates to complete and equip for operation the Clear Lake Railroad Company between Hopland and Lakeport.**

Rights of way-----	
Grading, clearing, etc. -----	\$159,883 00
Tunnels -----	78,000 00
Steel trusses -----	9,900 00
Pile and frame trestles-----	28,590 00
Culverts -----	1,948 00
Ties, 65,000 at 45 cents-----	29,250 00
Rails -----	88,125 00
Track fastenings -----	3,000 00
Track laying and surfacing-----	19,200 00
Roadway tools -----	
Fencing right of way-----	1,500 00
Crossings and signs-----	400 00
Telephone -----	
Station buildings -----	2,000 00
Platforms -----	400 00
Shop building and engine house-----	1,000 00
Shop machinery and tools-----	250 00
Water stations -----	2,000 00
Fuel tank -----	1,250 00
Engineering and superintendence-----	5,000 00
Law expense -----	1,054 00
Stationery and printing-----	100 00
Insurance -----	
Taxes -----	
Overhaul -----	650 00
Equipment, cost of 1 locomotive, 1 combination car, 1 coach--	9,000 00
Two box cars, 2 flat cars-----	2,500 00
Contingencies -----	25,000 00
	<hr/>
	\$470,000 00

Applicant's witnesses testified that it would be impossible to sell capital stock in excess of \$50,000.00 par value, and that such sales could be made only on the condition that payments on stock might be made in installments, the last installment to become due when construction on the railway should have been completed. Applicant asks authority also to issue stock of the par value of \$25,000.00 in exchange for a one half interest in the lake frontage on Clear Lake, in Lake County, belonging to the Yolo Water and Power Company. An agreement has been reached between the two companies by which this property is to be exchanged for capital stock of the par value indicated. Applicant is of the opinion that this property will be worth considerably over \$25,000.00 to the railroad company for its purposes.

Applicant states that it expects to be able to sell its bonds of the face value of \$500,000.00 so as to net not less than 84 per cent of their face value. No sale of these bonds has as yet been consummated. The Northwestern Pacific Railroad Company has already agreed to take

bonds at 84 per cent of their face value up to the total face value of \$100,000.00, if necessary, in payment for second-hand rails and fastenings which it will furnish in an amount sufficient for the purposes of the Clear Lake Railroad Company. Applicant's witnesses testified that, in their opinion, the company would be able to secure a guarantee of the payment of interest on the bonds during at least the first three years after the completion of construction.

The applicant expects to construct its railway on force account, paying to the contractor the cost of the work plus 12 per cent, which percentage includes contractor's profits, engineering and the marketing of the bonds at at least 84 per cent of their face value. Applicant is negotiating with a large construction company which has considerable equipment now lying idle, and which is desirous of putting its equipment to work in constructing this line of railway. In order to make sure that the money which applicant estimates will be necessary to complete and equip its line of railway will not measurably exceed applicant's estimate of \$470,000.00 the contract for the performance of this work should include a provision for a maximum cost, which should not be exceeded. An adequate provision should be made for securing compliance with this condition.

On the basis of a cost of \$470,000.00 or thereabouts to complete the work, and equip the railroad, the relation between the value of the property and the face value of the bonds should be reasonable, provided that arrangements are made to retire the bonds of the face value of \$100,000.00 within the first five years after completion of the railway. The Northwestern Pacific Railroad Company has agreed that it will sell to Clear Lake Railroad Company within the first five years after construction is completed, the bonds to be issued to Northwestern Pacific Railroad Company at exactly what they cost the railroad company, not to exceed 84 per cent of their face value, together with any accrued interest. The order in this proceeding will contain a provision for the retirement of bonds of the face value of \$100,000.00 within the first five years after construction is completed.

I submit herewith the following form of supplemental order:

**SUPPLEMENTAL ORDER.**

Clear Lake Railroad Company having applied to the Railroad Commission of the State of California for a supplemental order in the above entitled proceeding, and a public hearing having been held and the Commission finding that the purposes for which the proceeds of the stock and bonds hereinafter authorized to be issued are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Clear Lake Railroad Company is hereby authorized to issue 750 shares of its common capital stock, having a par value of \$100.00 each, and \$500,000.00, face value, of bonds, to bear interest at the rate of 6 per cent per annum, to be secured by a deed of trust or mortgage upon all the property of the company, upon the following conditions and not otherwise, to wit:

1. Clear Lake Railroad Company shall sell its said capital stock in the amount of fifty thousand dollars (\$50,000.00) so as to net said company not less than the par value thereof, and may issue its said capital stock of the par value of \$25,000.00 in exchange for property of the Yolo Water and Power Company, as hereinafter indicated.

2. Clear Lake Railroad Company shall sell its said bonds so as to net said company not less than eighty-four (84) per cent of the face value thereof, together with accrued interest.

3. Clear Lake Railroad Company shall use the proceeds of said stock of the par value of \$50,000.00 and of said bonds only for the purpose of constructing its proposed line of railroad between Hopland and Lakeport for the items which appear in the cost summary prepared by applicant's engineer, and appearing in the supplemental opinion which precedes this order, and shall issue said stock of the par value of \$25,000.00 only for the purchase of a one half interest in the lake frontage of Clear Lake, in Lake County, California, belonging to the Yolo Water and Power Company.

4. Before any of said stock or bonds shall be issued, Clear Lake Railroad Company shall present to the Railroad Commission for its approval, a plan by which \$50,000.00 of its capital stock shall be subscribed and paid for in full prior to the completion of applicant's line of railroad, which amount of capital stock shall be in addition to the capital stock already subscribed prior to the date of this order, and shall also be in addition to the capital stock to be issued to the Yolo Water and Power Company.

Clear Lake Railroad Company shall also present a plan by which the interest on the bonds herein authorized to be issued may be waived or guaranteed for a period of not less than three years in case, and to the extent, that applicant's line of railroad may be unable to earn both operating expenses and interest on the outstanding bonds, if there be such necessity.

5. Before Clear Lake Railroad Company may issue any of the bonds hereby authorized, it shall present to the Railroad Commission and secure its approval of a trust deed or mortgage of its property to secure said bonds, which trust deed or mortgage shall, among others, contain satisfactory provisions for the retirement within the first five years after construction shall have been completed, of applicant's bonds of the face value of one hundred thousand dollars (\$100,000.00).

6. Before Clear Lake Railroad Company may issue any of the stock or bonds hereby authorized, it shall present to this Commission for its approval a contract with a responsible contractor, agreeing to fully complete and equip applicant's contemplated line of railroad, on force account, on a commission of not to exceed twelve (12) per cent of the cost, this commission to include contractor's profit, engineering and sale of the bonds to net applicant not less than eighty-four (84) per cent of their par value plus accrued interest, and this contract shall contain a provision for a maximum sum satisfactory to this Commission, which the contractor agrees, under sufficient surety, to represent the maximum cost of the railroad.

7. After Clear Lake Railroad Company shall have presented to the Railroad Commission a satisfactory plan for complying with the conditions hereinbefore specified, the Railroad Commission will issue its supplemental order, specifying the necessary conditions and containing the usual provisions with reference to accounting, time limit for issue of stock and bonds and payment of fee on bonds.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of May, 1914.

---

DECISION No. 1508.

IN THE MATTER OF THE APPLICATION OF THE MINKLER  
SOUTHERN RAILWAY COMPANY FOR AUTHORITY TO  
ISSUE STOCK.

---

Application No. 1093.

*Decided May 14, 1914.*

---

Applicant authorized to issue to the Atchison, Topeka and Santa Fe Railway Company \$42,000.00 par value of its capital stock, covering a portion of advances made by latter company to applicant for construction purposes.

*E. W. Camp*, for Applicant.

---

REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

The Minkler Southern Railway Company has under construction a steam standard gauge railway line from Minkler, Fresno County, to Exeter, Tulare County, a distance of 40 miles, with a branch of  $1\frac{1}{2}$  miles running east from Cutler station. This railway company has been



created by the Atchison, Topeka and Santa Fe Railway Company for the purpose of building this line.

The Atchison, Topeka and Santa Fe Railway Company has advanced all of the money for the construction of applicant's road, which advances amount to something over \$700,000.00, and to partially reimburse the Atchison, Topeka and Santa Fe Railway Company for such advances it is now proposed to issue \$42,000.00 par value of applicant's stock. The only obligations of applicant as of January 1, 1914, consisted of the advances heretofore made to it for the construction of its road.

It was stated at the hearing that at a later date the properties now held by the Minkler Southern Railway Company would be transferred to the California-Arizona and Santa Fe Railway Company. For the present, however, the applicant is merely to issue the \$42,000.00 par value in stock to the Atchison, Topeka and Santa Fe Railway Company.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

The Minkler Southern Railway Company having applied to this Commission for authority to issue \$42,000.00 of its capital stock to the Atchison, Topeka and Santa Fe Railway Company, and a public hearing having been held and it appearing that the purposes for which it is proposed to be sold are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered*, by the Railroad Commission of the State of California, that the Minkler Southern Railway Company is hereby authorized to issue 420 shares of its capital stock to the Atchison, Topeka and Santa Fe Railway Company. Said last named company immediately upon the receipt of said stock shall credit applicant with the sum of \$42,000.00 as an offset for an equal amount of advances heretofore made to applicant.

The authority hereby given to issue said stock shall apply only to such stock as shall have been issued by said company on or before December 31, 1914.

*It is hereby further ordered* that the applicant herein shall notify the Railroad Commission within thirty days after the stock herein authorized shall have been issued to the Atchison, Topeka and Santa Fe Railway Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of May, 1914.

Decisions Nos. 1509 and 1510, grade crossings; not printed. See end of volume.

DECISION No. 1511.

JOHN WALL, JESSE PARMAN, S. W. MILLER, J. B. ESTES  
AND IRA S. CANNON, CONSTITUTING THE BOARD OF  
SUPERVISORS OF THE COUNTY OF MODOC, STATE OF  
CALIFORNIA,

*vs.*

NEVADA-CALIFORNIA-OREGON RAILWAY.

---

Case No. 536.

*Decided May 16, 1914.*

---

Complainants allege that the present depot site of defendant at Alturas, located approximately one mile from the center of town, is inconvenient and unsatisfactory, and petitions the Commission to direct defendant to remove said depot to a more convenient location.

*Held.* Defendant directed to submit within thirty days for the approval of the Commission, plans for the construction of a frame passenger depot at the intersection of its tracks with Modoc street, and to construct a depot in accordance with such plans ninety days after their approval. Defendant also directed within ten days to stop all of its passenger trains at site selected.

*Cornish & Robnett*, for Complainants.

*James Glynn*, for Defendant.

REPORT OF THE COMMISSION.

ESHLEMAN, *Commissioner*.

The complainants in this case constitute the board of supervisors of the county of Modoc, and in general the complaint may be said to attack as excessive and unreasonable all of the freight and passenger rates of the Nevada-California-Oregon Railway. It is also alleged that the depot and station facilities of the defendant corporation in the city of Alturas are not located so as to serve the public adequately, being located at a point about one mile distant from the center of the town.

Accompanying the complaint were petitions signed by hundreds of citizens praying that this Commission investigate on its own motion the reasonableness of the rates, both freight and passenger, of the Nevada-California-Oregon Railway. The Commission, therefore, issued an order calling for an investigation on its own motion of the rates of the Nevada-California-Oregon Railway (Case 560) which has been set for hearing at Alturas August 18, 1914.

I will therefore confine myself in this opinion to that portion of the complaint dealing with the location of the present depot facilities of the defendant railway. The Nevada-California-Oregon Railway runs in a general northerly direction from Reno, Nevada, to Lakeview, Oregon,

and during the year 1909 was constructed north from the town of Likely to Alturas. The testimony shows that before the road was constructed into Alturas information was given out that it was the intention of the railroad officials to build the line so that it would be located about five miles east of the town proper, which caused a great deal of apprehension among the citizens of that community, who proceeded to organize a committee for the purpose of inducing the railroad to alter its line so as to pass through Alturas.

It was testified that a free right of way sixty feet in width through the town was secured and donated to the railway company; that in addition thereto citizens, acting through committees, purchased from one Fitzgerald eighty acres of land at \$35.00 per acre, forty acres from one Thomas for a lump sum of \$800.00, and forty acres from one A. B. Estes for a lump sum of \$1,200.00. This land, the witness asserted, was deeded to T. F. Dunaway, vice-president and general manager of the Nevada-California-Oregon Railway. Witness further recited that this land was deeded to Mr. Dunaway personally at the suggestion and request of Chief Engineer Oliver of the railway company. One witness stated that he had understood that about one hundred acres of the Adams tract was also donated as a bonus to the railroad. At all events, the property purchased from Fitzgerald, Thomas and Estes as an inducement to have the railroad enter the town of Alturas and locate its depot at or close to a point where the present line of railway crosses Main street was not deeded to the railway company, but to one of its officials who, according to the testimony, transferred the property to the Alturas Heights Company, which latter company proceeded to subdivide and sell the same.

From the testimony it would appear that if the lands in question were intended as an inducement or an encouragement to the railroad to build its line into the town of Alturas, the lands thus donated did not reach the railroad, but went to its officials for their private gain. Our Supreme Court has condemned such practices, and in the case of *McCown vs. Pew*, 153 Cal. 736, and particularly at page 743, Mr. Justice Lorigan in discussing the question of contracts entered into between individuals and officers or agents of railroad corporations to secure the location of a line, says:

“\* \* \* Such contracts are uniformly held to be void. They constitute a species of bribery of the officers of the company and are necessarily corrupt in their tendencies as influencing the officers of the corporation for mercenary considerations and for their private emolument to forego the duties they owe to public interests to locate such public conveniences where public necessities require that they should be established”

Further, on page 751, Justice Lorigan says:

“ \* \* \* It will be observed further, that in all the cases reviewed, the contracts in question were declared invalid because agents or officers of the companies had taken advantage of their position to further their private interests and secure personal emoluments to the disadvantage of the companies they represented. The contracts were not declared invalid because they related to the location of depots or stations (speaking now of the special matters involved in the contracts in those cases) at particular localities, but because the persons who made them had been guilty of fraud and corrupt conduct toward their principals—the corporations.”

“In *Woodstock Iron Co. vs. Extension Co.*, 129 U. S. 643 (9 Sup. Ct. 402), a railroad company contracted with another company of like nature to construct a railroad by the nearest and cheapest route from Atlanta to Columbus for a consideration of twenty thousand dollars a mile. One of the directors of the extension company and also a director in the railroad company negotiated on behalf of the extension company a contract with an iron company to deflect the road at a certain point lengthening it about five miles, for which the iron company agreed to give a right of way through its property and convey certain tracts of land and pay certain sums of money. The railroad company had no knowledge of the contract, and the court held the contract void as immoral in its conception and corrupting in its tendency; that it was nothing less than a bribe offered to the employee to disregard his contract with his employer.”

The above is quoted not for the reason that the railroad should not have been located as it has been, but from the fact that it was stated by the attorney for defendant that the line of railroad as originally laid would have been about five miles to the east of Alturas, and that the railroad by making a wide detour to reach Alturas had constructed five miles of railroad at great expense which was unnecessary. If, therefore, the railroad did actually construct the five miles additional railroad in order to reach Alturas, and as an inducement to the railway company the citizens raised money and purchased a considerable acreage of land as a bonus, this land should have gone to the railway company and not to its officials in their individual capacities.

Witness testified that the deeds conveying this property to Mr. Dunaway were placed in escrow in a bank in Alturas to be delivered when the depot site satisfactory to the citizens' committee was agreed upon and that the chief engineer of the railway company by misrepresenting where the depot was to be located obtained possession of the deeds and had the same recorded.

In constructing its line through the town of Alturas the defendant passed within approximately 1,500 feet of the business center of the town and continued in a northwesterly direction, placing its depot at a

point about 5,000 feet, or nearly one mile from the center of the business section on land deeded to an officer of the railroad.

I believe it clear that the depot of the defendant was not located in Alturas with the idea of adequately serving that community, but in the hope that it would enhance the value of real estate contributed by the citizens and deeded to an officer of the railroad.

It is unnecessary, however, to go into further details of this kind or to review the evidence given concerning these land donations. The question before the Commission is, whether or not the present depot of the defendant adequately serves the town of Alturas. The complainants urge that the depot should be located at a point where Modoc street crosses the line of the defendant, which would be approximately 1,500 feet from the business center of the town. The defendant in replying to this states that the land in the vicinity of the crossing before mentioned is low and frequently overflowed when the Pitt River runs out of its banks.

There was considerable conflict in the testimony as to the actual conditions prevailing in this section during high water on the Pitt River, but it was testified to that the tracks of the defendant were never submerged. At the point where Modoc street crosses the railroad the tracks are on a fill, and if, as a fact, the tracks are not submerged during the rainy season, it would only require a fill the same height as the railroad grade to accommodate a depot and place it above any high water. The testimony shows that because of the bad condition of the highways in winter time vehicles of various kinds became mired down between the present depot and the town, but, as stated by counsel for defendant, the railroad can not be blamed for this state of affairs, and the responsibility for poor roads rests with the town or county authorities.

As before stated, the distance from the center of town by the shortest highway to the depot of the defendant is about 5,000 feet, or nearly one mile, and it is idle to say that a depot located at this distance from the center of town serves the public as adequately and conveniently as would a depot located at the foot of Modoc street approximately 1,500 feet from the center of town. Approximately 8,500 passengers arrived and departed from Alturas on trains of the defendant from July 1, 1912, to June 30, 1913, and from the fact that there are very few houses located in the vicinity of the depot I am convinced that the great majority, if not practically all, of these passengers were required to travel a distance of almost a mile to or from the depot of the defendant, whereas if the station were located at the foot of Modoc street this distance would be reduced to approximately 1,500 feet.

There are no extraordinary obstacles in the way of constructing a passenger depot at a point where Modoc street crosses the tracks of the

defendant, but I do not consider that the right of way is wide enough to lay out any extensive freight yards, which would require the purchase of considerable additional property and a large amount of filling to afford reasonable freight facilities. It is incomprehensible to me why the defendant did not place its entire station facilities at Alturas at the point where its line crosses Main street, which appears to have been the place selected by the depot committee when securing land to be donated to this railroad, but having placed its depot facilities as it has—about a mile from the center of town—and having invested a considerable amount of money in buildings I do not believe the defendant should be required to move its freight station from its present location, first, because the most available place seems to be where the railroad crosses Main street, which would not be of enough advantage to people of Alturas to justify the expenditure necessary; and, second, because at the foot of Modoc street would require such a large outlay that I do not believe it justified.

I believe it clear that a railroad has the right, generally speaking, to determine the location of its depots, but this right can not be exercised arbitrarily, and the selection of depot sites must be made with regard to the convenience and necessities of the public. (*C. & E. I. R. R. vs. People*, 222 Ill. 396.)

In the case of *McCowen vs. Pew*, *supra*, the court specifically states that as public agents it is the duty of the carriers to locate their depots and stations where public wants and necessities demand their establishment, and to change them and provide others as future public necessities may require.

It is needless to cite all the authorities to sustain the position that a carrier may be required, when public necessity and convenience demand, to provide additional station facilities, or to move existing stations to points where the public will be more adequately and conveniently served.

Witness for the defendant after testifying as to the transfer of the real estate, before mentioned as a bonus to the railroad, admitted that, in his judgment, the present depot did not adequately serve the town of Alturas.

It is impossible to avoid the conclusion that the officers of this company designedly placed the depot facilities of the company at the inconvenient spot where such depot facilities are now maintained for the sole purpose of causing the town to grow in that direction, and thereby enhance the value of the property owned by the officers of this company. If the company were the offender and not the officers of the company, it would be entirely just that any investment made with such motives at the present location of the depot of this defendant in Alturas, should

not be considered in this proceeding. Unfortunately, however, the treasury of the company furnished the money to build these facilities, while the pockets of the officers of the company received the funds from the sale of the lands.

The present facilities may be used for a freight depot, and the testimony shows that at times these facilities are severely taxed and no great loss will be occasioned to this company, because one of its clerks may be sent to the new depot before the arrival and departure of trains for the purpose of selling tickets and checking baggage, and no financial injury will be done this company and no additional expenditures required other than the comparatively small amount necessary to build a frame depot at the point indicated.

I recommend the following order:

**ORDER.**

The board of supervisors of the county of Modoc, John Wall and others, having filed with this Commission a complaint against the Nevada-California-Oregon Railway, charging that the depot facilities of said Nevada-California-Oregon Railway at the town of Alturas in the county of Modoc are inconvenient and unreasonable as to passenger traffic moving over the defendant's main line to Alturas, and that a convenient and reasonable site would be at the intersection of Nevada-California-Oregon Railway Company's main line with Modoc street in the town of Alturas; and a hearing having been held and being fully apprised in the premises, the Commission hereby finds as a fact that the site of the present depot of the Nevada-California-Oregon Railway Company is inconvenient and unreasonable as to passenger traffic moving over the defendant's main line to Alturas, and that a convenient and reasonable site would be on the west side of the line of said defendant at the intersection of Modoc street and said line of said defendant; and the Commission further finds as a fact that public convenience and necessity will be served by the construction of a depot at a point named above, and by the stopping of all the trains of the defendant carrying passengers at this point, and provision for selling tickets and checking baggage at said station; and basing this order on the foregoing findings of fact and the further findings of fact in the opinion hereto,

*It is hereby ordered* (1) Defendant shall, within thirty (30) days from date, present to the Railroad Commission for its approval, plans for a passenger depot to be built on the north side of Modoc street and on the west side of the line of said defendant at the intersection of Modoc street with said line, and shall within ninety (90) days from the approval of said plans by this Commission, build on said location a frame passenger depot of such type as shall be approved by this Commission.

(2) Defendant shall, within ten (10) days after the date of this order, stop all of its trains carrying passengers at the site upon which it is herein directed to build a depot, that is, at the intersection of Modoc street and the line of said Nevada-California-Oregon Railway.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this 16th day of May, 1914.

---

DECISION No. 1512.

KLEIN-SIMPSON FRUIT COMPANY

vs.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AND NORTHWESTERN PACIFIC RAILROAD COMPANY.

---

Case No. 524.

*Decided May 16, 1914.*

---

Complainant alleges that the refrigeration charge of \$35.00 per car charged by defendants on shipments of eggs in carload lots between Petaluma and Los Angeles is excessive and unreasonable.

*Held*, That the present refrigeration rate is a just and reasonable rate, but that discrimination exists as against Petaluma in favor of certain eastern points, in that defendants do not permit shippers to do their own pre-icing if they so desire. Defendants directed to file within twenty days a tariff providing that shippers may furnish their own initial icing on shipments of eggs between points named, carrier to do any re-icing necessary at cost, or, if the shipper desires, to ship through without re-icing, though any loss due solely thereto to be borne by shipper.

*J. D. Simpson*, for Complainant.

*E. W. Camp* and *U. T. Clotfelter*, for the Atchison, Topeka and Santa Fe Railway Company.

*Lilienthal, McKinstry & Raymond*, for Northwestern Pacific Railroad Company.

REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

The complainant in this case is engaged in the wholesale fruit and produce business in the city of Los Angeles, and in the conduct of its business receives shipments of eggs in carload lots from Petaluma, California, and also from the Middle West States, both east and west of the Missouri River.



In its complaint the complainant alleges that the refrigeration charges exacted by the defendant railroads on carload shipments of eggs from Petaluma to Los Angeles of \$35.00 per car is excessive and unreasonable. Prior to April 14, 1913, the refrigeration charges on a carload of eggs from Petaluma to Los Angeles was \$40.00, but on the date above mentioned the rate was reduced to \$35.00.

The complainant calls attention to the fact that under the provisions of Santa Fe Refrigeration Tariff No. 8123g, C. R. C. No. 238, shipments of less than carloads of perishable articles may be made, and the carriers parties to the tariff furnish free refrigeration on less than carload shipments, the minimum charge for cars so furnished being 10,000 pounds at second-class rate. It is alleged that under these provisions it is possible to ship less than carload lots for which carriers furnish the refrigeration without cost at a less charge per case than if a carload were shipped and the shipper paid for the refrigeration. The defendants contend that this provision does not apply from Petaluma inasmuch as the Northwestern Pacific Railroad is specifically excepted from participating therein.

The provision appearing in the original tariff No. 8123g, C. R. C. No. 238, which tariff is effective February 24, 1913, is as follows:

"The freight charges on L.C.L. Perishable Freight shipped in regular or special schedule cars will be the same as in ordinary cars.

Where shippers can not avail themselves of regular schedule refrigerator car service, refrigerator cars may be furnished for less than carload shipments of freight at the less than carload rates. The minimum charge for cars so furnished will be the charge applicable on 10,000 pounds at the second-class rate from point of origin to point of final destination, but not less than \$30.00 per car. No charge will be made for initial icing or re-icing.

NOTE.—Will not apply in connection with Arizona Eastern Railroad.

*Exception.*—Will not apply on peddler cars."

No mention is made in this item of the Northwestern Pacific Railroad not being a party to this provision, but we find that on August 21, 1913, a supplement was issued to this tariff and Item 15 of the original tariff is canceled by Item 15A, to which supplement is added a notation that the provisions of the item will not apply on traffic over the Northwestern Pacific Railroad. This provision clearly advances the rates on less than carload shipments of eggs and other perishable commodities under refrigeration from points on the Northwestern Pacific Railroad, and should have been preceded with a symbol indicating such an advance, to which the consent of this Commission was necessary before the advance could become effective. No symbol indicating an advance appears in the tariff, as required by the rules of this Commission, and

no permission has been given to make the advance as required by law. The restriction, therefore, which eliminates the Northwestern Pacific Railroad from the provisions of this item is clearly unlawful and must be canceled.

We are not passing on whether the restriction is reasonable or otherwise, but carriers may as well understand now as later that they will not be permitted to increase rates, by failing to comply with the law and rules of the Commission, by simply amending tariffs, taking a chance that it will not be discovered. This is not the first time we have discovered carriers amending tariffs so as to bring about an increase in rates and failing properly to designate the same and obtain permission of the Commission, and we wish to serve notice at this time on all public utilities that such evasions will not be lightly dealt with in the future.

The complainant contends that a rate of \$15.00 per car for refrigeration charges would be amply remunerative to the carriers, and also that the shippers should be permitted to furnish the initial icing and that any further ice necessary properly to protect the shipment should be furnished by the carrier at \$2.50 per ton. The complainant bases its contention for such rates and provisions on the fact that the refrigeration charge from the Missouri River to Los Angeles and San Francisco is \$25.00 per car. The provision for icing shipments of eggs from Missouri River points to Los Angeles at \$25.00 per car covers only the re-icing service, the initial icing being performed by the shipper. There is a provision, however, that if the ice is furnished by the carrier for the original icing it will be charged for at the rate of \$2.50 per ton, including salt and labor. From Missouri River points to Portland, Oregon, via the Chicago, Burlington and Quincy to Billings, Montana, thence via the Northern Pacific or via the Union Pacific, Oregon Short Line and Oregon, Washington Railroad and Navigation Company, the re-icing charge is but \$15.00 and as in the case of shipments from Missouri River to Los Angeles and San Francisco, initial icing may be performed by either the shipper or carrier.

In addition to the before mentioned provisions there is also a provision for a re-icing charge of \$25.00 on shipments from the Missouri River to Portland via San Francisco in connection with various steamship lines, providing special arrangement is made with the steamship company, and also for the movement from Missouri River via El Paso, Deming, Bakersfield, Fresno or Stockton, thence via the Southern Pacific Company, Pacific System, and lines in Oregon to Portland. In all of these instances the shipper has the privilege of furnishing the initial icing and in addition thereto has the right of delivering the car under ice with specific notice to the carriers that it is not to be re-iced in transit and in such cases no additional charge will be made. Therefore, the shipper of eggs in carload lots from the Missouri River

destined Los Angeles or San Francisco may ice the car himself initially or the railroad will do so at a cost of \$2.50 per ton and the shipper has the choice of either paying \$25.00 for the privilege of having the car re-iced in transit or he may direct that no more ice be placed in the bunkers, and thereby save the re-icing charge of \$25.00.

We are unable to understand why the transcontinental railroads make a re-icing charge of but \$15.00 from the Missouri River to Portland and at the same time exact \$25.00 per car from the Missouri River to Los Angeles. The same re-icing charge of \$25.00 will apply directly through Los Angeles to Portland, and if it is reasonable to Portland, it would seem to be a lucrative rate to Los Angeles. The re-icing rate of \$25.00 from Missouri River points to Portland via El Paso and the Southern Pacific lines thence to destination can hardly be claimed to be a competitive rate in view of the fact that the rate via the Union Pacific and Oregon Short Line to Portland is but \$15.00, and no apparent attempt appears to have been made to meet this competition.

All of this may appear to be outside the question, and the matter is dealt with because of the reliance placed by the complainant on these conditions as justifying its contention that the Petaluma to Los Angeles refrigeration rate is excessive.

Considering now the real point in issue, namely, the refrigeration rates from Petaluma to Los Angeles on a carload of eggs, and taking up first the contention of the complainant that it is cheaper to ship eggs in less than carload lots and permit carriers to do the icing without cost to the shipper than to load a full carload—the refrigeration charge being borne by the shipper. The present carload freight rate on eggs from Petaluma to Los Angeles is  $49\frac{1}{2}$  cents per hundred pounds and based on a minimum weight of 20,000 pounds the freight charges would amount to \$99.00. Adding to this the refrigeration rate of \$35.00 per car we have a total charge of \$134.00 for moving a carload of eggs under refrigeration from Petaluma to Los Angeles. Under the provisions of Santa Fe Tariff No. 8123g, C. R. C. No. 238, before it was amended August 21, 1913, and which we hold is still legally in effect, a shipper may divide this same carload of eggs weighing 20,000 pounds into two lots of 10,000 pounds and the freight charges will amount to \$115.00 for which the railroads furnish refrigeration free.

This certainly furnishes a ridiculous rate adjustment on its face, but it is partially explained from the fact that eggs in carload lots move at third class and at less than carload rates at second class, but because of the slight difference in classification and rates the result appears absurd. At the same time it must be remembered that the provision for handling less than carload lots under refrigeration applies to all classes of perishable commodities, and it will be hardly possible to find any other commodities which could be shipped in less than

carloads under refrigeration at a less aggregate charge than would obtain on a carload of the same commodity, which will be found to be due to the fact that the difference in classification and rates on such carload and less than carload commodities as fruit and vegetables is very much greater than on eggs.

Referring now to the complainant's contention that the refrigeration charge of \$35.00 per car on eggs from Petaluma to Los Angeles is excessive. The defendants introduced evidence to the effect that the actual cost of furnishing ice for five cars of eggs moved from Petaluma to Los Angeles was as follows:

S. F. R. D. 1324.....	\$30 17
S. F. R. D. 3802.....	34 66
S. F. R. D. 4066.....	33 81
S. F. R. D. 2130.....	36 71
S. F. R. D. 5638.....	34 57

Against the cost of furnishing this ice the defendants collected \$35.00 for refrigeration service, and it would not appear from this record that in view of this actual cost of ice that a charge of \$35.00 per car is unreasonable. In each of these cars 9,000 pounds of ice was loaded at Petaluma and it was testified to that this was the average amount loaded in a car, it being the aim of the carriers to furnish a car with bunkers of that capacity.

The best price at which defendants claim to be able to purchase ice at Petaluma is \$6.00 per ton, and it is therefore apparent that the initial icing costs the defendant \$27.00 at the point of shipment. At points where the cars were re-iced the price of ice appears to have been very much less. For instance, the price of ice to the carriers is \$2.65 per ton at Stockton, \$2.65 per ton at Bakersfield and \$5.00 per ton at Barstow, and the apparent excessive price paid at Petaluma was explained by the fact that the carriers purchase only a comparatively small amount of ice at Petaluma—about 120 tons per annum—while at Stockton and Bakersfield they are under contract to purchase 5,000 tons per annum at each point on a ten-year contract. We think it safe to say that the purchase of this large quantity of ice at Stockton and Bakersfield accounts for the ability of the defendants to secure the same at a much lower rate than at Petaluma.

To our minds it is clear that the carriers should not be required to furnish refrigeration at less than the actual cost of the ice and in this case we can not find that the refrigeration charges on a carload of eggs from Petaluma to Los Angeles is excessive.

A larger question than this seems to be involved in this proceeding, and that is, the question of permitting the shipper to put in as much ice as he desires in a car and directing that it be forwarded through without further icing. This practice is indulged in by the carriers in

moving eggs from Middle West territory to California and beyond, and no doubt works a serious discrimination against the egg producers of Petaluma. If the carriers actually pay more in some cases for the ice required properly to refrigerate a car of eggs than they receive for such services, it stands to reason that they should be very glad to be relieved of this loss, and if the shipper is willing to provide the initial icing and take chances on it moving through to destination without loss, the carriers should be no more reluctant to grant him this privilege than they are to grant similar privileges to shippers of eggs from Middle West States.

It should be distinctly understood that I am confining this opinion to shipments of eggs, and not other perishable products, because we have no evidence concerning any other commodity.

After a careful review of all of the facts submitted in this case I find as a fact that complainant has not sustained its charge that the present refrigeration rate from Petaluma to Los Angeles on carload shipments of eggs is unreasonable when such service is performed by the carriers.

I further find as a fact that the present method of making rates covering re-icing service on shipments of eggs from Middle West States to San Francisco and Los Angeles is undoubtedly prejudicial and discriminatory as against shipments of eggs from Petaluma to Los Angeles, and that carriers should publish provisions in their tariffs permitting the shipper to provide initial icing and direct on the bill of lading whether the car is to move through to destination without further icing, and that if further icing is desired, the same should be furnished by the carriers at actual cost. Also, that in event shippers furnish initial icing and do not desire the car re-iced in routing they should assume all risk of damage due to improper refrigeration.

I recommend the following order:

**ORDER.**

Klein-Simpson Fruit Company of Los Angeles having complained that the refrigeration rate on eggs in carload lots from Petaluma to Los Angeles is excessive and unreasonable, and that the denial by the carrier to the shipper of the right to furnish his own ice for refrigeration is unreasonable, and a hearing having been held and being fully apprised in the premises, the Commission hereby finds as a fact that it does not appear from the evidence that the refrigeration rate on eggs in carload lots from Petaluma to Los Angeles is excessive or unreasonable.

The Commission further finds as a fact that a provision allowing shippers to furnish the initial icing on carload shipments of eggs for transportation from Petaluma to Los Angeles, and further providing that, if the shipper so directs on the bill of lading, no further ice will

be furnished, or if any further ice is to be furnished at the shipper's request, the carrier involved shall furnish such ice at the actual cost to such carrier is a just and reasonable provision, and basing this order on the foregoing findings of fact,

*It is hereby ordered* that the Atchison, Topeka and Santa Fe Railway Company and the Northwestern Pacific Railroad Company publish and file with this Commission, within twenty (20) days from the date hereof, a tariff providing that shippers may furnish initial icing on carload shipments of eggs for transportation from Petaluma to Los Angeles, and further providing that if the shipper so directs on the bill of lading, no further ice will be furnished. Or, if the shipper so directs, re-icing shall be furnished by the carrier on the shipper's request at actual cost of such ice; said tariff further to provide that on such shipments where the initial icing is performed by the shipper with directions not to re-ice in transit, said shipper shall assume all risk due solely to improper refrigeration.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of May, 1914.

---

DECISION No. 1513.

IN THE MATTER OF THE APPLICATION OF MODOC COUNTY IRRIGATION COMPANY FOR AUTHORITY TO ISSUE BONDS, NOTES OR OTHER EVIDENCE OF INDEBTEDNESS, ETC., PAYABLE AT PERIODS OF MORE THAN TWELVE MONTHS, AND FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

---

Application No. 1089.

*Decided May 16, 1914.*

---

Application of the Modoc County Irrigation Company for permission to issue bonds of the face value of \$750,000.00 to construct its system solely from the proceeds of such bonds, which are proposed to be sold at approximately 80, denied, without prejudice to its renewal when applicant shall have outlined a more stable plan of financing, and shall have secured a clear title to its source of water supply.

*Alfred Grundy*, for Applicant.

*H. G. Redwine*, for Surprise Valley Irrigation Company.

*F. G. Tyrrell*, for certain creditors of Applicant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

Authorization is asked for the issuance of \$750,000.00 face value of bonds to bear interest at not to exceed 7 per cent per annum and to encumber the property of applicant for the purpose of securing the payment of said bonds, and for a certificate that public convenience and necessity require the construction and operation of applicant's plant.

As stated in the application, the proceeds from the sale of said bonds are to be used "to construct the proper and necessary dams for impounding water accumulating in 'Cowhead' Lake in the northeastern part of Modoc County, California, to construct the necessary and proper tunnel for an outlet for the impounded water, and a main canal with proper laterals for a distribution of the same water in an irrigating system to approximately 50,000 acres of arable land located in the vicinity of the said lake in the State of California, which said land is now arid and unreclaimed."

Applicant has outstanding obligations of about \$85,000.00 which it is proposed to pay off with a part of the proceeds from the sale of these bonds, and with the balance of such proceeds to construct its system as above set out.

It was explained at the hearing that the bonds are to be sold at the best obtainable price, which might be as low as 80 per cent of face value, and that the entire plant of applicant was to be built from this bond money.

It is plain, therefore, that instead of a margin in the value of property over the face of outstanding obligations, applicant would start off with less property than face of bonds outstanding, equal to the amount that these bonds were discounted. It is true that at the hearing we were urged to consider that after the construction of applicant's plant contracts would be made with persons taking up government land which could be irrigated from this system, and that these contracts would be put under the lien of these bonds, and would form a substantial part of the security therefor.

I do not believe that such contracts, which are mere agreements to take and pay for water, are proper security for the issuance of bonds.

At the hearing it was stated that an action had been commenced in the Superior Court of Modoc County against applicant, in which action the right of applicant to take water from Cowhead Lake or Pelican Lake was attacked, and the representatives of applicant admitted that if this attack was successful it would be deprived of practically all of its available water.

I think this application should be dismissed without prejudice. The project itself, from the evidence, seems meritorious. Apparently there is a large amount of water in reasonable proximity to government land,

and if the water and land are brought together by a project such as applicant proposes, much good would result; but much harm will result if this project be launched upon financial basis which will result in bankruptcy.

Furthermore, the controversy which has arisen as to applicant's right to take water from Cowhead and Pelican lakes would probably render it impossible to sell the bonds, even if authorized by the Commission.

I recommend that this application be dismissed, with leave to applicant to renew the same later upon a basis of capitalization which will insure a reasonable margin of tangible property over face of outstanding obligations, and that applicant thereupon be required to show a reasonably secure right to take water from Cowhead or Pelican lakes.

I submit herewith the following form of order:

**ORDER.**

Application having been made by Modoc County Irrigation Company for a certificate of public convenience and necessity and for an order authorizing the issue of bonds, and for an order authorizing the encumbering of its property as security for the payment of such bonds, and a public hearing having been had and it appearing to the Commission that this application should be dismissed for the reasons set out in the foregoing opinion,

*It is hereby ordered*, by the Railroad Commission of the State of California, that this application be and the same is hereby dismissed without prejudice to the filing of another application as suggested in the foregoing opinion.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of May, 1914.



## DECISION No. 1514.

IN THE MATTER OF THE APPLICATION OF THE SANTA CLARA WATER AND IRRIGATING COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN RATES.

---

Application No. 136.

*Decided May 16, 1914.*

---

Application for a rehearing by certain parties in interest in the above entitled application, denied.

*Hiatt & Selby, for Applicant.*

*Don G. Bowker, for Theo. A. Kelsey and other users of water of the Farmers' Ditch.*

*George E. Farrand, T. O. Toland and L. W. Andrews, for Thermal Belt Water Company and Limoneira Company.*

REPORT OF THE COMMISSION.

OPINION ON APPLICATION FOR REHEARING.

ESHLEMAN, *Commissioner.*

Limoneira Company, Farmers' Ditch Irrigating Company and Thermal Belt Water Company applied to this Commission within the time allowed by law for a rehearing in the above entitled matter.

They urge many grounds for this rehearing, most of which, however, are directed toward the jurisdiction of this Commission and are not properly involved in the determination of the application for rehearing. These agencies have consistently contested the jurisdiction of this Commission to deal with their relationship in connection with the Santa Clara Water and Irrigating Company.

The other grounds urged were all considered in the original application and present no sufficient reason for reopening this case, and I recommend that the application for rehearing be denied.

I submit the following order:

ORDER.

Limoneira Company, Farmers' Ditch Irrigating Company and Thermal Belt Water Company, who appeared as parties in the above entitled action by intervention, having applied to this Commission for a rehearing herein, and being fully apprised in the premises,

*It is hereby ordered* that said application for rehearing be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 16th day of May, 1914.

## DECISION No. 1515.

## IN THE MATTER OF THE PETITION OF THE CITY OF GLENDALE FOR THE RAILROAD COMMISSION TO FIX VALUATIONS ON CERTAIN WATER SYSTEMS IN SAID CITY.

---

Application No. 936.*Decided May 18, 1914.*

---

Upon application of the city of Glendale, the Commission proceeds to determine a fair valuation of four certain water utilities serving said city.

After a thorough investigation the Commission determines upon the following findings of fact: (1) That the fair compensation to be paid by applicant for the system of the Glendale Consolidated Water Company, including certain water stock owned by said company, is the sum of \$69,782.66; (2) For the system and water stock owned by the Verdugo Springs Water Company, the sum of \$50,292.00; (3) For the system and water stock owned by the Miradero Water Company, the sum of \$24,919.00; (4) For the system of the Verdugo Pipe and Reservoir Company, the sum of \$14,241.00.

*W. E. Evans*, for Applicant.

*Olin Wellborn, Jr.*, and *Alfred H. McAdoo*, for Verdugo Springs Water Company.

*W. G. Cook*, for Title Guarantee and Trust Company, Glendale Consolidated Water Company and Miradero Water Company.

*G. B. Woodbury*, for Verdugo Canyon Water Company.

*Frank L. Muhleman*, for Verdugo Pipe and Reservoir Company.

## REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

This is an application on the part of the city of Glendale to have a valuation fixed for the property of four certain water companies serving the city of Glendale.

The applicant asks that the value of water and water rights, reservoirs and reservoir sites, pumps, engines, flumes, pipes and ditches used in conveying and distributing water, all as outlined in detail, for each company mentioned, be included in the price to be fixed by the Commission as a just compensation to the companies.

An amended application was filed on March 26, 1914, in which amended application the city of Glendale asks to have included whatever rights each company has in the city of Glendale to lay mains, to eliminate the request for a valuation of the property of Verdugo Canyon Water Company and to acquire 116 shares of the stock in the Verdugo Canyon Water Company, now held by the Verdugo Springs Water Company. Stipulation was also made to include 0.55 acres of land

upon which the reservoir of the Verdugo Springs Water Company is located.

In order clearly to show the relations of the various water companies whose property is concerned in this application a brief outline of each will be necessary.

1. The Glendale Consolidated Water Company is now a defunct corporation and the title to its property has passed to the Title Guarantee and Trust Company, trustee, of Los Angeles. The district served by this utility is the south and west portion of the city of Glendale. This company represents a consolidation of various small companies serving the same district, made up principally of subdivisions placed on the market. It has about 1,200 services and 30 miles of pipe system.

2. The Verdugo Springs Water Company is controlled by the Thoms interests. The Thoms have owned a quarter interest in the flow of Verdugo Canyon water, and have been able to supply their consumers from gravity water the greater part of each year, although they resort to pumping at certain times. This company delivers water in the central portion of the city, and about 620 service connections have been made on its approximately 16 miles of pipe system.

3. The Miradero Water Company serves the northwestern portion of the city, comprising the high portion along the foothills, some of which lies outside the boundary of the city property. Along the 8 miles of pipe system there are about 288 metered service connections.

4. The Verdugo Pipe and Reservoir Company serves the district east of the Childs tract and has about 150 consumers attached to its approximately 8 miles of pipe system.

5. The Verdugo Canyon Water Company was organized in 1884 for the purpose of distributing the water of Verdugo Canyon which, by court decree, had been apportioned to 3,333 acres of land and divided into 10,000 equal parts. It distributes no water to consumers, but merely affords the pipe system for the distribution of the water to the landowners to which the water was distributed by the court decree mentioned.

The first hearing on this application was held at Glendale on March 10, 1914, at which time the valuations prepared by the engineer for the Commission were submitted and the engineer subjected to cross-examination. The companies, likewise, each presented a general appraisal of their properties. A second hearing was held in Los Angeles on March 25th and 26th, at which time the question of water rights was given attention. At the request of the parties briefs were allowed to be filed, which should have been in in twenty days but the Commission has been delayed until a short time ago by reason of failure to file the briefs on time.

No serious controversy has arisen over the valuation of the property of any of these companies, except that of the Verdugo Springs Water Company, and the principal contested item in this valuation is that of the water rights. This company has title to .0666 of the flow in Verdugo Canyon, and it places a value of \$2,500.00 per miner's inch on such water. It likewise contests certain conclusions of the engineer for the Commission on other items of valuation.

In the engineer's reports on the value of the property of the Verdugo Springs Water Company no serious discrepancies exist as to the reproduction cost of the system, but the depreciation applied by the engineer for the Commission is considerably greater than that applied by Mr. F. C. Finkle, representing the Verdugo Springs Water Company. Exclusive of water rights and pipe system, the reservoir constitutes the major portion of the property valued. Mr. Finkle allows from fifty to sixty-six years at the probable life of the pipe, depending upon the soil, while the Commission's engineer used about thirty years for the same class of pipe. I do not believe that the history of the pipe already in warrants the conclusion that fifty years is the proper life for it. There are places within the city where the pipe is now being removed and replaced after only twenty-seven years of service. As to the pipe of smaller diameter there is the added element of obsolescence in that such pipe must be taken up by reason of the needs of consumers before it wears out.

The present value of the reservoir belonging to the Verdugo Springs Water Company was considerably greater in Mr. Finkle's opinion than in the opinion of the Commission's engineer. The latter allowed but thirteen more years of useful life out of a possible useful life of forty years in all. The adequacy of the reservoir was considered, and it is my opinion that Mr. Finkle is in error in his conclusion that only the pressure of population upon this reservoir will render it unfit for service. In a rapidly growing city like Glendale there can be no question that small reservoirs will become inadequate sooner than in more slowly growing communities.

Another question concerning which difference of opinion exists is that of scrap value. Mr. Finkle urges that scrap value should be added to the value of the system as an element to be considered in fixing a valuation. The attorney for the Verdugo Springs Water Company asked this Commission to pass upon this point, and I have no hesitancy in saying that I consider Mr. Finkle's theory absolutely untenable. If it is tenable, then the annual amounts which are allowed by this Commission for depreciation are by so much too great, because it is attempted in every rate fixing inquiry to determine the life of the structures, calculate the annual depreciation therefrom, and to allow a sufficient amount in the rates so that at the going out of service of the

property its entire value is returned to the utility owner. If, in this case, the amount of accrued depreciation be deducted, this amount is either right or wrong dependent upon the correctness of the conclusion as to the life of the property in question. If it is right, then that amount of depreciation has occurred, represented by the proportion between the entire life of the property and the number of years it has been in service.

The scrap value theory of Mr. Finkle is only another method of adding something after everything that can justly be contended for has been received. The practice of engineers representing utilities of resorting to every known method of adding to the value of the property is one that does not appeal strongly to this Commission, and while we should always recognize every legitimate element of value, and should under no circumstances attempt to be too close in our estimates or niggardly in the amounts allowed, yet the inevitable result of continually having presented to us exaggerated estimates will be a tendency to be very critical of all estimates, and unfortunately the one presenting a fair estimate may not receive as liberal treatment as should be accorded, by reason of the inevitable very critical attitude of the Commission which has resulted as I have herein suggested.

During the investigation and hearing, it occurred to the Verdugo Springs Water Company that it had certain easements for laying pipe in the streets of the city of Glendale, which easements were secured or reserved before the dedication of the streets, and it is urged that they are of value.

When it is borne in mind that the evidence here shows that most of these systems were constructed on subdivisions, and that the rights of way as well as the pipes were often given by the subdivider to the company, it will appear that in this the company is asking for what seems to be the very limit of its rights. I believe that a careful analysis of this system would show—and the evidence does tend to show—that a considerable portion of the pipe in use in this system does not in reality belong to the companies involved, and certainly under these conditions, if a very strict adherence to bare considerations of law is to be urged, the Commission would be justified, in fairness to the applicant municipality, in making every deduction that could possibly be justified. I do not like to appraise property in this way. I believe that the Commission should be liberal to utilities whose property is being acquired by municipalities and fair to the municipalities, but substantial justice should be the thing aimed at.

The water used by the companies in this application comes from the Verdugo Canyon Creek, a perennial stream subject to fluctuations in the season of the year's flow. From an inspection of the records which have been kept by Mr. Woodbury, the zanjero, we find that the years 1904

and 1910 have not been fully recorded, but that a general average of the summer flow in the months of May, June, July, August and September of the years since 1901 would be 107 miner's inches. During the summer just passed, which has been one of low flow, Mr. Bayley, engineer for the applicant, made a measurement of 142 miner's inches on October 16th. The lowest monthly average found by Mr. Woodbury in 1913 was 155 miner's inches. The low average flow over the thirteen years' period is attributed to the effect of a pumping plant which was subsequently shut down, since which time the flow of the stream has increased. It seems to me that we are very safe in taking the minimum flow during the past summer, which is known to have been a low one, in determining the safe yield of this water course.

The city has sought to acquire the physical property and the water rights and privileges of every sort held by these companies which are necessary to the service of the city of Glendale. The evidence does not show that any water rights are owned by any of the companies involved, except the Verdugo Springs Water Company. The other companies do not exert any ownership or show any title in any water. They, however, own varying amounts of stock in the Verdugo Canyon Water Company which entitles them to have certain water, covered by the decree of 1871, delivered through the pipes of the Verdugo Springs Water Company. Therefore, in purchasing the water rights of the Verdugo Springs Water Company and the stock held by the various companies in the Verdugo Canyon Water Company, the city has all that it applies to purchase, and apparently all that is necessary for it to be substituted in the place of the owners of this property in regard to the right to be in control of the water which is distributed in the city of Glendale.

In the original petition the city asked to have appraised the property of the Verdugo Canyon Water Company, but subsequently amended its petition so as to exclude that property, being satisfied to purchase the shares of stock owned by the other companies serving the city of Glendale in the Verdugo Canyon Water Company.

The property listed under the application and amended application of the city of Glendale for the various companies therefore is as follows:

**1. Glendale Consolidated Water Company.**

- 1 reservoir site, 150 by 150, comprising 0.5 acres more or less.
- 1 well site, comprising 0.53 acres and adjacent to reservoir.
- 1 Glassell Tract lot, comprising 1 acre, with equipment.
- 1 reservoir, 128 by 128 by 8½; complete with roof and fence.
- 1 pumping house situate on the well site of 0.53 acres.
- 1 well, situate upon the 0.53 acre piece of land.
- 500 lineal feet of ¾-inch standard screw pipe.
- 1,400 lineal feet of 1-inch standard screw pipe.
- 450 lineal feet of 1½-inch standard screw pipe.
- 43.125 lineal feet of 2-inch standard screw pipe.
- 2.235 lineal feet of 4-inch standard screw pipe.
- 2.325 lineal feet of 8-inch standard screw pipe.
- 1.790 lineal feet of 3-inch, outside diameter, pipe.
- 11.380 lineal feet of 4-inch, outside diameter, pipe.

- 12,685 lineal feet of 6-inch, inside diameter, pipe.
- 800 lineal feet of 8-inch, inside diameter, pipe.
- 40,325 lineal feet of 4-inch riveted steel pipe.
- 760 lineal feet of 5-inch riveted steel pipe.
- 16,905 lineal feet of 6-inch riveted steel pipe.
- 8,250 lineal feet of 8-inch riveted steel pipe.
- 400 lineal feet of 10-inch riveted steel pipe.
- All valves and specials now a part of the above described pipe system.
- 1,346 service connections.
- 1,310 meters,  $\frac{3}{4}$ - by  $\frac{1}{2}$ -inch, with boxes.
  - 1 gasoline engine.
  - 1 pump head.
- 1,239  $\frac{1}{2}$  shares of the Verdugo Canyon Water Company.
  - All water rights owned by said company.
  - All other property owned by the Glendale Consolidated Water Company in the city of Glendale on February 1, 1914, and used and useful in the conduct of its water utility business.

## 2. Verdugo Springs Water Company.

- 1 reservoir site, comprising 0.869 acres more or less.
- 1 reservoir of 160 feet diameter and 7 feet deep.
- 250 lineal feet of  $\frac{3}{4}$ -inch standard screw pipe.
- 14,538 lineal feet of 2-inch standard screw pipe.
- 45,595 lineal feet of 4-inch riveted steel and iron pipe.
- 3,130 lineal feet of 5-inch riveted steel and iron pipe.
- 9,690 lineal feet of 6-inch riveted steel and iron pipe.
- 1,010 lineal feet of 6 $\frac{1}{2}$ -inch riveted steel and iron pipe.
- 3,840 lineal feet of 8-inch riveted steel and iron pipe.
- 482 lineal feet of 10-inch riveted steel and iron pipe.
- All valves and specials now a part of the above described system.
- 620 service connections.
- 620  $\frac{3}{4}$  by  $\frac{1}{2}$  meters with boxes.
- 116 shares of the Verdugo Canyon Water Company.
- 666/10,000 of the flow of the stream of Verdugo Canyon.
  - All other property owned by the Verdugo Springs Water Company in the city of Glendale on February 1, 1914, and used and useful in the conduct of its water business.

## 3. Miradero Water Company.

- 1 reservoir site comprising 1.9 acres more or less.
- 1 reservoir 160 by 90 by 10 feet, holding approximately  $\frac{1}{2}$ -million gallons, together with cover, etc.
- 275 lineal feet of  $\frac{3}{4}$ -inch standard screw pipe.
- 9,430 lineal feet of 2-inch standard screw pipe.
- 16,535 lineal feet of 4-inch, outside diameter, screw casing.
- 950 lineal feet of 4-inch, inside diameter, screw casing.
- 160 lineal feet of 6-inch, outside diameter, screw casing.
- 2,550 lineal feet of 4-inch riveted steel pipe.
- 9,540 lineal feet of 8-inch riveted steel pipe.
- All valves and specials now a part of the above described pipe system.
- 286 meters,  $\frac{3}{4}$  by  $\frac{1}{2}$ -inch, with boxes.
- 2 meters, 1-inch, with boxes.
- 4 meters, 2-inch, with boxes.
- 288 service connections.
- 487 shares of the Verdugo Canyon Water Company.
  - All water rights owned by said company.
  - All other property owned by the Miradero Water Company in and adjacent to the city of Glendale on February 1, 1914, and used and useful in the conduct of its water utility business.

**4. Verdugo Pipe and Reservoir Company.**

- 1 reservoir site comprising 1 acre.
- 1 site for pumping plant.
- 1 well, 200 feet deep, and 10-inch diameter.
- 1 pump house and derrick.
- 1 electric motor, 20 horsepower.
- 2 pump jacks, etc.
- Tools, etc., at pumping plant.
- 4,775 lineal feet of 2-inch standard screw pipe.
- 1,820 lineal feet of 4-inch standard screw pipe.
- 26,055 lineal feet of 4-inch riveted steel pipe.
- 4,100 lineal feet of 6-inch riveted steel pipe.
- 3,980 lineal feet of 8-inch riveted steel pipe.
- 725 lineal feet of 10-inch riveted steel pipe.
- All valves and specials now a part of the above described pipe system.
- 140 meters,  $\frac{3}{4}$  by  $\frac{3}{4}$ , with boxes.
- 6 meters,  $\frac{3}{4}$ -inch, with boxes.
- 4 meters, 1-inch, with boxes.
- 150 service connections.

Mr. H. F. Clark, engineer for the Commission, made a complete valuation of all of the properties here outlined, except water stock and water rights. Other engineers representing the city made valuations of these properties, and Mr. F. C. Finkle, representing the Verdugo Springs Water Company, made valuation for the Verdugo Springs Water Company.

The following tables show the results obtained by the various engineers:

**1. Glendale Consolidated Water Company.**

Item	Present values		
	Clark for Commission	Bayley for city	
Real estate -----	\$2,545 00	\$2,545 00	
Reservoir -----	2,647 00	720 00	
Buildings -----	180 00	180 00	
Pipe system -----	41,391 00	36,739 00	
Specials -----	1,222 00	1,222 00	Agrees
Services -----	6,076 00	6,076 00	with
Meters -----	11,318 00	11,318 00	Bayley
Well -----	682 00	682 00	
Gas engine -----	664 00	*664 00	
Pump head -----	557 00	*557 00	
Miscellaneous -----	22 00	22 00	
<b>Totals -----</b>	<b>\$67,304 00</b>	<b>\$60,730 00</b>	

\*These items were entered in the application the city presented but discarded in the valuation as scrap. Now re-entered to conform to application.



## 2. Verdugo Springs Water Company.

Item	Present values			
	Clark for Commission	Finkle for company	Bayley for city	Van Den Heuvel for city
Real estate -----	*\$1,304 00	*\$1,304 00	*\$1,304 00	Agrees with Bayley
Reservoir -----	2,603 00	5,278 00	553 00	
Pipe -----	17,116 00	21,707 00	14,995 00	
Specials -----	573 00	520 00	573 00	
Services -----	3,069 00	2,848 00	3,069 00	
Meters -----	4,129 00	4,519 00	4,129 00	
Paving -----		1,158 00		
Intangibles -----		11,680 00		
Street permits -----		310 00		
Easements -----		5,000 00		
Total physical property	\$28,794 00	\$54,324 00	\$24,623 00	
Water stock -----		348 00		
Water rights -----		25,807 00		
		\$80,479 00		

\*This reservoir site has been added to the inventory, as per a stipulation to that effect. It was to comprise 0.55 acres, circular in shape, to include a reservoir of 165-foot diameter. Subsequent measurement by stipulation of the parties shows it to contain .869 acres instead of .55 acres.

## 3. Miradero Water Company.

Item	Present values		
	Clark for Commission	Bayley for city	Van Den Heuvel for city
Real estate -----	\$4,500 00	\$4,500 00	Agrees with Bayley
Reservoir -----	2,956 00	2,956 00	
Pipe system -----	11,614 00	10,341 00	
Specials -----	350 00	350 00	
Meters -----	3,010 00	3,010 00	
Services -----	1,515 00	1,515 00	
Totals -----	\$23,945 00	\$22,672 00	

## 4. Verdugo Pipe and Reservoir Company.

Item	Present values		
	Clark for Commission	Bayley for city	Van Den Heuvel for city
Real estate -----	\$2,050 00	\$2,050 00	Agrees with Bayley
Reservoir -----	excluded		
Well -----	424 00	424 00	
Building -----	190 00	190 00	
Machinery -----	1,008 00	1,003 00	
Services -----	624 00	624 00	
Meters -----	581 00	581 00	
Pipe system -----	9,140 00	8,606 00	
Specials -----	229 00	229 00	
Totals -----	\$14,241 00	\$13,707 00	

Mr. Woodbury, secretary of Verdugo Canyon Water Company, testified at the hearing that the shares of this company were worth \$2.00 each. He, however, subsequently wrote to the Commission, copy of which letter was sent to the attorneys for the companies involved, stating that when he so testified he had in mind that the cost of the submerged dam, amounting to \$17,500.00, was included in the value of the property. The testimony, however, shows that the parties here contend that the benefit from such dam goes to the owners of the water right and not to this company, and on such theory and assuming that the \$17,500.00 expenditure was not made for the benefit of the Verdugo Canyon Water Company, Mr. Woodbury states that the value per share of the stock of this company is 51 cents. The shares held by the various companies sought to be acquired under the petition of the applicant are as follows:

Glendale Consolidated Water Company-----	1,239 $\frac{1}{4}$ shares
Verdugo Springs Water Company-----	116 shares
Miradero Water Company-----	487 shares

As has already been said, one of the strongly controverted items in the valuation is that of water rights. At the time this case was heard, the status of the water rights held by a public service water company was in doubt because of the opinion of the Federal court in the case of *San Joaquin and Kings River Canal and Irrigation Co. vs. County of Stanislaus*, 191 Fed. 875. In that case the court held that no value should be allowed for such water rights. Just recently, however, the Supreme Court of the United States has reversed that decision, and has held that a value must be put upon such water rights inasmuch as they are property under the decisions of the court of California. Therefore, the Commission finds it necessary to place value upon the water right of the Verdugo Springs Water Company. This company owns .0666 of the flow of the Verdugo Canyon, which amounts, according to the best testimony, at low water to approximately 155 miner's inches.

Much and conflicting testimony was introduced as to the proper method of determining the value of a miner's inch of water. I confess that it is very difficult for me to determine just how this shall be done because of the very nature of a public utility. The essential characteristic of a public utility is that it have certain attributes of monopoly. The warrant for regulating monopoly is found in the power of such monopoly to oppress its patrons. Therefore, since the Middle Ages it has been held to be proper to prevent a monopoly from saying to whom it shall furnish its commodity and for what price. In other words, a monopoly may not, as may an agency, not a monopoly, take from its patrons all it can get for its service. The market value of a thing is determined by what the agency owning such thing can secure for it. Of necessity such a rule can not fix the value of a utility property or a utility com-

modity, and no amount of sophistical argument can avoid this conclusion. There is no competition in water and in the selling of water because the supply is always limited in an arid or semi-arid country and is seldom or never sufficient for the demand. Under such conditions if I have a supply of water and another man has land without water, which land will be increased in value \$100.00 per acre by the application of the water to it, then the man in control of the water may take practically all of the added value which the water gives to the land if he sells it to the owner of the land. I merely outline these difficulties in order to show the problem which confronts a tribunal such as this in determining fairly what shall be paid for the water right.

The following are the prices per inch urged by the various engineers testifying:

Finkle's, \$3,500.00 per miner's inch less \$1,000.00 because of the fact that the water may be pertinent to the land in Glendale, leaving \$2,500.00 per inch.

\$3,500.00 per inch fixed by Judge Conrey for Sierra Madre where water was taken from the Baldwin Ranch for the use of the city. \$2,497.00, value arrived at by Finkle by capitalizing pumping cost.

\$3,000.00 to \$3,800.00, market value urged by Koebig.

\$2,000.00, price reached by one Burr, near San Fernando in 1906.

\$2,500.00, selling price at McClay Rancho in 1902.

\$1,500.00 to \$1,800.00, result of sales in this vicinity in 1902.

\$2,800.00, selling price from West Los Angeles Water Company.

\$2,012.00, cost of getting aqueduct water, suggested by City Engineer Bayley.

\$1,680.00, cost of pumping 250 inches capitalized at 5 per cent, estimate by Bayley.

\$2,168.00, value by capitalizing at 5 per cent the cost of pumping 100 inches; estimate by Bayley.

\$300.00 to \$400.00 value if actual cost of production in Verdugo Canyon is considered.

\$1,100.00, value based on operating costs alone of pumping at Verdugo Canyon; estimate by Bayley.

It is my opinion that the cost of property used by a utility in serving the public is the largest and most important item to be considered in determining the basis upon which it should be allowed an earning. What one actually sacrifices for the public certainly should largely determine what the public owes to him. As a rule for the future this is always admitted to be correct by the utilities. As a rule for the past it is always admitted to be correct, provided it gives as much as or a greater amount than some other theory will give. This Commission has often discussed the difficulties of valuation arising from the necessity of attacking the problem in the middle and considering a utility in its present condition without the possibility of knowing all of its history. Some of the problems of valuation are insoluble on any legitimate basis,

and the only thing a public official can do is to attempt to arrive at that result which his conscience tells him is fair, always limited by what he thinks higher authority will permit, which higher authority in many instances, we are led to believe, does not give the conscientious thought to this subject which it should. Still I could find a value as low as \$1,000.00 per inch and believe it would be justified from the evidence, as well as a value close to \$4,000.00 per inch; and on the rule that where the evidence is conflicting the determination of the administrative body will not be upset either of these valuations would stand, yet I believe from all the evidence in this case a valuation of \$2,000.00 per inch is all, if not more, than justice demands and is amply supported by the evidence. While Mr. Woodbury wrote a letter to this Commission correcting his testimony with reference to the value of water stock, still I believe it better practice and safer to stay with the price presented in the evidence of \$2.00 per share.

We, then, are ready to fix the valuations for the various properties involved.

**1. Glendale Consolidated Water Company.**

Mr. Clark, for the Commission, finds a present value, without the water stock, of \$67,304.00; 1,239 $\frac{1}{2}$  shares of Verdugo Canyon Water Company stock at \$2.00 per share, \$2,478.66, which added to the \$67,304.00 gives a total present value of \$69,782.66 for the value of the property of the Glendale Consolidated Water Company.

It is difficult for me to understand how this company urges anything as a going value under the decisions, when it actually is losing money to such an extent that it has been taken charge of by the trustee for the bondholders.

**2. Verdugo Springs Water Company.**

Mr. Finkle agrees generally with Mr. Clark, except on the items of paving, intangibles, street permits and easements; and on these four items he presents a valuation which represents a considerable portion of the entire amount found. I believe the intangibles are covered under his percentages, and the other elements are of doubtful propriety. However, I will find a value as a whole and will not specifically eliminate any particular element. Mr. Bayley, city engineer, for the applicant finds a value of more than \$4,000.00 less than that of Mr. Clark, due mainly to his different estimate as to the value of the pipe and the reservoir.

Taking all of the evidence before me and allowing what I think is legitimate for intangibles and easements, I find that \$30,000.00 is the present value of the physical property of this company; adding to this \$232.00 for the 116 shares of stock in the Verdugo Canyon Water Company and \$20,060.00 for the water right, we have a total value of \$50,292.00.

**3. Miradero Water Company.**

Mr. Clark finds a value of \$23,945.00 for the physical property of this company; Mr. Bayley, for the city, \$22,672.00. Accepting Mr. Clark's value and adding thereto \$974.00 as the value for the 487 shares of water stock owned by this company, we have a total valuation of \$24,919.00.

**4. Verdugo Pipe and Reservoir Company.**

Mr. Clark finds a present value of \$14,241.00 for the property of this company, and I see no reason for rejecting this valuation.

Estimated valuations were presented to the engineers of this Commission, but not presented in evidence, made by engineers for the Glendale Consolidated Water Company and the Miradero Water Company. These engineers did not appear and submit themselves to examination, and they put such an exaggerated value upon the water stock owned by these companies and such large going concern values that I feel, under all the circumstances, I should give little if any weight to these appraisals.

I submit the following findings:

**FINDINGS.**

City of Glendale, a municipal corporation, having filed a petition with this Commission setting forth the intention of said city to acquire, under eminent domain proceedings, the lands, property and rights of every character whatsoever of certain named water companies furnishing water to the inhabitants of said city of Glendale, and asking that this Commission fix and determine the just compensation which shall be paid by said city of Glendale for such property and rights; and a hearing having been held and being fully apprised in the premises,

The Commission makes the following findings with respect to the various companies involved:

**1. Glendale Consolidated Water Company and Title Guarantee and Trust Company.**

The property sought to be acquired belonging to this company is described as follows:

**REAL ESTATE.**

*Parcel 1.* All that property in the county of Los Angeles commencing at a point on the west line of Southern Pacific Company's strip of land in the Rancho San Rafael, south 22° 43' east, 995.05 feet from a ¾-inch iron pipe driven to the surface of the ground at the intersection of north line of the Glassell and Chapman 669.08-acre allotment in Rancho San Rafael. Said point of commencement also being south 22° 43' east from a ¾-inch iron pipe at the northeast corner of land of Hugh Glassell in said 669.08-acre allotment from said point of commencement, south 67° 17' west 480 feet, thence south 22° 43' east, thence north 67° 17' east 480 feet to a point on said Southern Pacific Company's strip of land; thence north 22° 43' west along said Southern Pacific's strip of land 90 feet to the place of beginning, containing 1 acre more or less.

*Parcel 2.* Also that parcel or tract of land in the Rancho San Rafael, county of Los Angeles, State of California, described as follows: Lot thirty-seven (37) of Childs Tract, as per map recorded in Book 5, page 157, Miscellaneous Records of

said county upon which is situated a cement reservoir, to include the reservoir and all ground upon which said reservoir is built, and grounds surrounding same for a width of 10 feet, with strip of ground 10 feet wide leading from road to reservoir ground for a means of access to same from said road, containing  $\frac{1}{4}$  acre, more or less.

*Parcel 3.* Also that portion of 36.10 acres tract in Rancho San Rafael, in the county of Los Angeles, California, allotted to Maria Cataline Verdugo by decree in partition entered November 29, 1871, in case number 1621, District Court, entitled *A. B. Chapman et al. vs. Sepulveda et al.*, described as follows: Commencing at a post in east side of lot 37 of Childs Tract, as per map recorded in Book 5, page 157, Miscellaneous Records, distant north 13.79 chains from southeast corner of said lot; thence north along east line of said lot 37, 5.14 chains to a stake on the easterly line of county road; thence north north 32° 54' east along easterly line of said County Road, 45 links to stake; thence south 59° 4' east, 1.93 chains to stake ten feet southerly from outer edge of Verdugo Springs Reservoir; thence south 22° 34' west 4.91 chains to point of beginning, containing 53/100 acre.

#### Pumping and Storage.

- 1 reservoir 128 feet by 128 feet by 8 $\frac{1}{2}$  feet, roofed and fenced, located on real estate parcel No. 2.
- 1 pump station building located on parcel No. 3.
- 1 12-inch well, located on parcel No. 3.
- 1 gas engine.
- 1 pump head.

#### DISTRIBUTION SYSTEM.

- 500 lineal feet of  $\frac{3}{4}$ -inch standard screw pipe.
- 1,400 lineal feet of 1-inch standard screw pipe.
- 450 lineal feet of 1 $\frac{1}{2}$ -inch standard screw pipe.
- 43,125 lineal feet of 2-inch standard screw pipe.
- 2,235 lineal feet of 4-inch standard screw pipe.
- 2,325 lineal feet of 8-inch standard screw pipe.
- 1,790 lineal feet of 3-inch, outside diameter, pipe.
- 11,380 lineal feet of 4-inch, outside diameter, pipe.
- 12,685 lineal feet of 6-inch, inside diameter, pipe.
- 800 lineal feet of 8-inch, inside diameter, pipe.
- 40,325 lineal feet of 4-inch riveted steel pipe.
- 760 lineal feet of 5-inch riveted steel pipe.
- 16,905 lineal feet of 6-inch riveted steel pipe.
- 8,250 lineal feet of 8-inch riveted steel pipe.
- 400 lineal feet of 10-inch riveted steel pipe.
- All valves and special fittings now a part of the above described pipe system.
- 1,346 service connections.
- 1,310 meters,  $\frac{3}{4}$  by  $\frac{1}{2}$ -inch, with boxes.

#### MISCELLANEOUS.

- 1,239 $\frac{1}{2}$  shares of stock of the Verdugo Canyon Water Company, and a right to 3,718/30,000 of the stream flow in Verdugo Canyon.
- All other property owned by the Glendale Consolidated Water Company in the city of Glendale on February 1, 1914, and used and useful in the conduct of its water utility business.

The Commission hereby finds as a fact that the fair compensation to be paid by the city of Glendale for this property is the sum of \$69,782.66.

#### 2. Verdugo Springs Water Company.

##### REAL ESTATE.

That portion of the Rancho San Rafael described as follows, to wit: Beginning at a point which is reached by three courses, namely north 70° 52' 45" west 14.50 feet from the most northerly corner of lot 1 of tract number 840, as per map recorded in Book 16, page 112 of Maps, Records of Los Angeles County, California

(said course being measured along the westerly prolongation of the northerly line of said lot), north 33° 13' 05" east 1,242.17 feet and south 58° 55' 10" east 11.76 feet to the true point of beginning; thence south 58° 55' 10" east 216.42 feet. (This last named course for a distance of 127.38 feet runs along the northeasterly boundary of that certain tract of land containing 0.53 acres recorded August 9, 1901, in Book 1466, page 310 of Deeds, Records of Los Angeles County, California. The most northerly corner of said tract of land lying south 58° 55' 10" east 16.46 feet from the true point of beginning of this description); thence north 33° 13' 05" east 182.91 feet; thence north 58° 55' 10" west 192.41 feet to an intersection with a curve concave easterly having a radius of 1,190 feet, a radial line from said point of intersection having a bearing of south 44° 52' 03" east; thence southwesterly along said curve 185.57 feet to the point of beginning containing .869 acres.

#### STORAGE.

- 1 reservoir, 7 feet deep, 160 feet in diameter, located on the above described parcel of land.

#### DISTRIBUTION SYSTEM.

- 250 lineal feet of  $\frac{3}{4}$ -inch standard screw pipe.  
 14,538 lineal feet of 2-inch standard screw pipe.  
 45,595 lineal feet of 4-inch riveted steel and iron pipe.  
 3,130 lineal feet of 5-inch riveted steel and iron pipe.  
 9,690 lineal feet of 6-inch riveted steel and iron pipe.  
 1,010 lineal feet of 6 $\frac{1}{2}$ -inch riveted steel and iron pipe.  
 3,840 lineal feet of 8-inch riveted steel and iron pipe.  
 482 lineal feet of 10-inch riveted steel and iron pipe.  
 All valves and special fittings now a part of the above described system.  
 620 service connections.  
 620 meters,  $\frac{3}{4}$  by  $\frac{3}{4}$ -inch, with boxes.

#### MISCELLANEOUS.

- 116 shares of stock of the Verdugo Canyon Water Company.  
 666/10,000 of the stream flow in Verdugo Canyon.

All other property owned by the Verdugo Springs Water Company in the city of Glendale on February 1, 1914, and used and useful in the conduct of its water business.

The Commission hereby finds as a fact that the fair compensation to be paid by the city of Glendale for this property is the sum of \$50,292.00.

### 3. Miradero Water Company.

#### REAL ESTATE.

The following is the legal description of the property now owned by the Miradero Water Company, and to be by it sold to the city of Glendale:

Lot 1, block 25, except an easement for right of way over the west 50 feet thereof, in Glendale Boulevard Tract, in the county of Los Angeles, State of California, as per map recorded in Book 6, page 184 of Maps, in the office of the county recorder of said county, containing 1.93 acres, more or less.

#### STORAGE.

- 1 reservoir 160 feet by 90 feet by 10 feet, located on the parcel of land above described.

#### DISTRIBUTION SYSTEM.

- 275 lineal feet of  $\frac{3}{4}$ -inch standard screw pipe.  
 9,430 lineal feet of 2-inch standard screw pipe.  
 10,535 lineal feet of 4-inch, outside diameter, screw casing.  
 950 lineal feet of 4-inch, inside diameter, screw casing.  
 160 lineal feet of 6-inch, outside diameter, screw casing.  
 2,550 lineal feet of 4-inch riveted steel pipe.  
 9,540 lineal feet of 8-inch riveted steel pipe.

All valves and special fittings now a part of the above described pipe system.

- 286 meters,  $\frac{3}{4}$  by  $\frac{1}{2}$ -inch, with boxes.
- 2 meters, 1-inch, with boxes.
- 4 meters, 2-inch, with boxes.
- 288 service connections.

## MISCELLANEOUS.

- 487 shares of the stock of the Verdugo Canyon Water Company.
- 487 10,000 of the stream flow in Verdugo Canyon.

All other property owned by the Miradero Water Company in and adjacent to the city of Glendale on February 1, 1914, and used and useful in the conduct of its water utility business.

The Commission hereby finds as a fact that the fair compensation to be paid by the city of Glendale for this property is the sum of \$24,919.00.

## 4. Verdugo Pipe and Reservoir Company.

## REAL ESTATE.

*Parcel 1.* That portion of lot 85 of Watts' Subdivision of Rancho San Rafael, as per map recorded in Book 5, page 328, Miscellaneous Records of Los Angeles County, California, described as follows: Commencing at point on westerly line of said lot distant 584.76 feet southerly from the northwest corner thereof; thence easterly at right angles with said westerly line 198 feet; thence southerly parallel with said westerly line 198 feet; thence westerly 198 feet to a point on westerly line of said lot; distant 782.76 feet from the northwest corner of said lot; thence along west line of said lot northerly 198 feet to point of beginning, containing 0.90 acre more or less.

*Parcel 2.* The easterly 48.4 feet (extending 154.55 feet southerly) of lot 9, Hackman and Lennox Tract, as per map recorded in Book 11, page 20, Miscellaneous Records of Los Angeles County, California.

## PUMPING.

- 1 well, 10-inch diameter, 200 feet deep.
  - 1 pump house with derrick.
  - 1 20-horsepower electric motor.
  - 2 pump jacks.
- All located on real estate parcel No. 2 above described.

## DISTRIBUTION SYSTEM.

- 4,775 lineal feet of 2-inch standard screw pipe.
  - 1,820 lineal feet of 4-inch standard screw pipe.
  - 26,055 lineal feet of 4-inch riveted steel pipe.
  - 4,100 lineal feet of 6-inch riveted steel pipe.
  - 3,980 lineal feet of 8-inch riveted steel pipe.
  - 725 lineal feet of 10-inch riveted steel pipe.
- All valves and special fittings now a part of the above described pipe system.
- 140 meters,  $\frac{3}{4}$  by  $\frac{1}{2}$ -inch, with boxes.
  - 6 meters,  $\frac{1}{2}$ -inch, with boxes.
  - 4 meters, 1-inch, with boxes.
  - 150 service connections.

All other property owned by the Verdugo Pipe and Reservoir Company in and adjacent to the city of Glendale on February 1, 1914, and used and useful in the conduct of its water utility business.

The Commission hereby finds as a fact that the fair compensation to be paid by the city of Glendale for this property is the sum of \$14,241.00.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18th day of May, 1914.

C5-10192



Decisions Nos. 1516, 1517, and 1518, grade crossings; not printed. See end of volume.

DECISION No. 1519.

INGHRAM HUGHES

vs.

THE UNION WATER COMPANY OF CALIFORNIA.

---

Case No. 572.

*Decided May 18, 1914.*

---

REPORT OF THE COMMISSION.

ORDER OF DISMISSAL.

The complainant in the above entitled case having filed his written request that the above entitled proceeding be dismissed,

*It is hereby ordered* that said complaint be and the same is hereby dismissed.

Dated at San Francisco, California, this 18th day of May, 1914.

---

DECISION No. 1520.

IN THE MATTER OF THE APPLICATION OF GLENDALE AND  
EAGLE ROCK RAILWAY COMPANY FOR AUTHORITY TO  
ISSUE BONDS IN THE SUM OF ONE HUNDRED AND  
FIFTY THOUSAND DOLLARS.

---

Application No. 1046.

*Decided May 18, 1914.*

---

REPORT OF THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

The Commission having, in its first supplemental order in this proceeding made on May 4, 1914, authorized Glendale and Eagle Rock Railway Company to issue \$50,000.00 face value of its 6 per cent first mortgage bonds upon certain conditions, one of which being that prior to the issue of any of these bonds so authorized Glendale and Eagle Rock Railway Company shall have received the approval of this Commission in the form of a supplemental order, of an amended trust deed, which shall include certain property therein specified, and applicant

having on May 14, 1914, filed with this Commission a trust deed in accordance with said order,

*It is hereby ordered* that said trust deed be approved and ordered filed.

By order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18th day of May, 1914.

---

DECISION No. 1521.

IN THE MATTER OF THE APPLICATION OF BIG FOUR ELECTRIC RAILWAY FOR AUTHORITY TO ISSUE STOCK IN THE AMOUNT OF THREE HUNDRED AND NINETY-TWO THOUSAND AND FIFTY-EIGHT DOLLARS.

---

Application No. 1080.

*Decided May 18, 1914.*

---

Application of the Big Four Electric Railway Company to issue stock of the par value of \$392,058.00, proceeds to be used in the construction of its certain line of railway in Tulare County, granted, provided that applicant shall enter into no new agreements for construction work without the prior approval of the Commission, shall obtain a clear title to its right of way and shall make such arrangements as directed regarding certain notes secured in part payment of stock subscriptions.

*E. I. Feemster*, for Applicant.

*James M. Burke*, for Protestants.

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is the third application of this applicant asking authority of this Commission to sell stock for the purpose of building an electric railroad in Tulare County, California, the details of which have been fully covered by Applications Nos. 144 and 372 and orders thereon. I deem it proper at this time to refer to some extent to the operations of applicant in reference to orders heretofore granted.

On July 10, 1912, the Commission rendered its decision in Application No. 144, and among other things ordered that applicant be permitted to sell \$100,000.00 par value of its common stock on the following conditions:

- (1) Said stock to be sold to yield applicant not less than 80 per cent of par value in cash;
- (2) Commission paid for selling stock must not exceed 20 per cent of par value, to be paid only on actual cash received;

(3) Proceeds to be used to pay outstanding indebtedness as of July 31, 1912, aggregating \$5,889.49, which does not include commissions represented to be due on sales of stock already made. Commission due on sale of stock appearing on books as of July 31, 1912, to be cancelled, except commission on sales of stock for which actual cash has been received. All commissions paid in excess of the agreed percentage of cash actually received, shall be returned;

(4) After discharging above liabilities of \$5,899.49, no further expenditure shall be made from cash proceeds of sale of stock until all of said 100,000 shares of stock shall have been sold and not less than \$50,000.00 in cash realized.

The applicant apparently being unable to satisfy the conditions contained in that order made another application (No. 372) for permission to sell \$400,000.00 par value of its common stock. On April 3, 1913, after hearing having been held on said application in the city of Tulare, Tulare County, California, and the Commission being fully apprised of all matters pertaining thereto, and being of the opinion that the public was interested in having the road built as applied for in the application under consideration, rendered its order, which, among other things, provided:

It is hereby ordered that Big Four Electric Railway Company be and the same is hereby authorized to issue four hundred shares of its common stock of the par value of four hundred thousand dollars (\$400,000), on the following conditions and not otherwise:

(1) Stock must be sold to yield 80 per cent of its par value in cash;

(2) Commissions to be paid only on cash received;

(3) No commission to be paid Avery Investment Company until the indebtedness of Avery Investment Company to applicant be paid in full;

(4) Proceeds to be used only for following purposes:

(a) To discharge liabilities as of January 31, 1913, amounting to \$8,670.57;

(b) In constructing and equipping applicant's railroad as detailed on estimate submitted.

(5) No expenditures from proceeds of stock sold to be made unless authorized by the Commission. The Commission, however, approves at this time of the grading contract entered into by applicant with Hahn & Sons and authorizes applicant to assign to Hahn & Sons the installments of stock subscription under the terms of said contract. Applicant is authorized to make a monthly expenditure of \$125.00 for current office expenses.

(6) Applicant shall not enter into any contract nor incur any liability other than is included in said grading contract with Hahn & Sons.

(7) Applicant to keep proper accounts.

(8) The authority herein granted to issue stock shall apply only to stock issued prior to January 1, 1914.

The effective date of this order expired January 1, 1914.

On April 10, 1914, the Big Four Electric Railway Company filed with the Commission its third application asking permission to sell \$392,082.00 par value of its capital stock for the purpose of acquiring further rights of way for applicant's proposed railway and for the construction and equipment thereof; and on May 1, 1914, a hearing was held thereon in the city of Tulare, California.

Attached to this application and made a part thereof is an exhibit marked "Exhibit A," which contains a financial statement of applicant as of November 30, 1913, which in substance is as follows:

ASSETS.	
Subscribers' accounts receivable .....	\$26,596 46
Subscribers' notes receivable .....	42,825 00
Cash Citizens' Bank of Visalia .....	03
Due from Avery Investment Company .....	1,798 21
Commissions on stock sales .....	5,756 38
Construction accounts .....	43,082 86
Notes receivable suspense .....	7,000 00
Woodville Townsite Company .....	15 66
	<hr/>
	\$127,074 60
LIABILITIES.	
Capital stock issued .....	\$25,058 00
Advertising stock subscription .....	82,884 00
Pay checks .....	313 35
Accounts payable .....	7,648 90
Bills and notes payable .....	3,895 00
Bond sales, advance suspense .....	7,000 00
Hospital fund .....	15 35
John F. Jordan .....	260 00
	<hr/>
	\$127,074 60

This balance sheet shows that \$1,798.31 is due from the Avery Investment Company. This amount represents over-payments of commissions for capital stock subscriptions contrary to the Commission's orders, inasmuch as the orders provided that no commissions should be paid on account of stock subscriptions until the stock had been paid for in cash.

At the hearing the following subscribers to the capital stock appeared and protested against the granting of this application, giving as reason therefor that they had no confidence in the present management of the road: W. H. Hahn, Paul Blankenship, H. C. Wiley, L. E. McCabe, D. J. McKenzie, J. B. Monroe, M. Click.

These protestants testified further that Mr. Frank Avery, the promoter and chief stock salesman of applicant, offered as an inducement for them to take stock, to repurchase the stock within one year if the purchasers were not satisfied with their investment. In one instance the record shows that Mr. Avery offered to take the stock back at a premium of fifty cents a share if the purchaser was dissatisfied with

the investment at the end of a year. I can not condemn too strongly this method of disposing of stock. I am convinced, also, that Mr. Avery had no intention of carrying out these promises.

These protestants, it seems, have refused to pay their subscription to the stock on the ground that they have no confidence in the present management. They state, however, that if reliable people take hold of the management of this enterprise they will gladly pay their subscriptions.

An attempt was made at the hearing to analyze the various items in the financial statement above mentioned, and to accomplish this purpose the president and secretary of applicant were sworn and testified at the hearing in relation thereto. The above statement contains an item of \$42,825.00, "Subscribers' notes receivable." Concerning the solvency of these notes President Hitchcock testified that he did not know the value of the W. H. Coffin note for \$8,000.00, the H. C. Coffin note for \$5,650.00, or the Frank Avery note for \$5,000.00. The William G. Hesse note for \$1,000.00 he said he believed was good. In fact, it would be very hard to decide, from Mr. Hitchcock's testimony, how much of the \$42,825.00 worth of notes are solvent. Mr. Dick Lipscomb, secretary of the company, testified that Frank Avery had settled several bills of the Big Four Electric Railway Company with lumber, and to pay for the lumber which was furnished by the Avery Mill and Lumber Company Mr. Avery turned over several notes given to applicant for subscriptions to stock. Mr. Lipscomb later testified that he did not believe that these notes could properly be applied on Frank Avery's indebtedness to the Big Four, because the transaction was really that of the Avery Mill and Lumber Company and not Frank Avery personally.

It appears from the evidence that the following notes, which were evidently the property of applicant, had been transferred to the Avery Mill and Lumber Company:

G. W. Wylie .....	\$500 00
William Sim .....	500 00
W. T. Winter .....	200 00

Mr. James M. Burke testified that he was offered the note of P. Q. Simpson for \$500.00, which is shown on the accounts as in the treasury of the Big Four, in settlement of an account of Daunt & Russell, Portland lumber dealers, against the Avery Mill and Lumber Company.

It is very evident from the testimony adduced at the hearing that the officers of the Big Four had no knowledge that this note was in Avery's hands and not in the treasury of applicant where it belonged. Mr. John F. Jordan, formerly of the Citizens' Bank and Trust Company of Visalia, in whose custody applicant's note above referred to appeared to be at that time, stated that he and his cashier were the only ones that had access to these notes. Mr. Lipscomb testified, also, as is shown on

page 75 of the transcript, in answer to the question, "How do you know these notes are on hand at the present time—when did you count them last? I counted them the first of every month, with the exception of the time since the Citizens' Bank closed." Again, quoting from page 82 of the transcript, Mr. Lipscomb was asked: "How did you make out to take an invoice of those notes the first of every month unless you had access to them?" Mr. Lipscomb answered: "I just had the list I left there," and when asked if he thought that was a proper method of taking an invoice of notes, he replied, "That is the only method I could take when they refused to let me have them."

Concerning the notes taken on account of stock subscription, it appears from the testimony that, aside from the three notes above mentioned, there should still be on hand notes to the amount of \$41,625.00. These are held by the Citizens' Bank and will not be released except on a written demand. It seems to me that it is a singularly strange way of managing the affairs of this company that such a thing should be possible—that this amount of notes should be deposited in any bank anywhere and delivery refused to the officers of applicant.

W. H. Hahn, of Hahn & Sons, contractors, testified that grading done for applicant by Hahn & Sons under contract heretofore entered into and approved by this Commission, amounted to something like \$11,000.00, and that there is still a balance due him of \$6,999.35 on said contract. He testified that he had filed a lien on the right of way and roadbed of applicant, and that he expected in the near future to foreclose on said lien and become the owner of said property.

After considering all the evidence introduced at the hearing I believe that the officers of applicant are open to very severe criticism for the manner in which they have managed this enterprise. They have apparently recognized no responsibility to the stockholders who entrusted money to them in good faith. While I believe the Commission would be justified in not only denying this application, but also in taking drastic steps against the parties at fault, I am of the opinion that the present application should be granted for the following reasons:

It is evident from the testimony of protestants introduced at the hearing in the city of Tulare on May 4, 1914, that they are unanimous in their desire that the road be built; and, further, that if applicant should be successful in selling the amount of stock named in this application, and if the business of the road be under efficient management, they are still willing to pay their subscriptions in full.

I am also impressed with the fact that inasmuch as the proposed location of this road is through a splendid country which is rapidly being settled up, that if said railroad is built it will add much improvement

to the passenger and freight facilities and consequently become an important factor in developing the communities along its line.

The most important factor which prompts me to recommend the granting of this application is the testimony of Mr. J. R. Hitchcock, president of said road, wherein he states that negotiations are now pending with parties to whom he expects to sell all of this stock in one lump.

Therefore, in view of the above reasons, I recommend that this application be granted upon the following conditions and terms, and not otherwise:

(1) That arrangements be made by applicant to take up the three notes heretofore mentioned in this opinion, amounting in all to \$1,200.00, which were turned over by Mr. Avery to the Avery Mill and Lumber Company to compensate the latter for paying off in lumber certain debts of applicant. I can see no reason why the makers of these notes should be, as they probably will be, subjected to a suit to compel them to pay their obligations in full, while other subscribers, who gave notes for their subscriptions under similar circumstances, may be exempted from paying them.

(2) That the subscribers' notes heretofore referred to as being deposited in the Citizens' Bank and Trust Company of Visalia, be withdrawn from said bank and placed in the treasury of applicant, and that a detailed list of same be furnished this Commission and certified as being correct by the president and secretary of the Big Four Electric Railway Company, applicant herein.

(3) That the indebtedness of Frank Avery to applicant in the amount of \$1,798.21 be paid in full before any such stock shall be issued, and that the directors of this company be compelled either to collect this sum or to repay it themselves to the company under their liability as directors.

(4) That inasmuch as it is proposed by applicant to sell this stock all in one block, I recommend that no commissions be paid on the sale of this stock until there is at least \$100,000.00 in cash realized therefrom and in the treasury of the company, and evidence of these facts has been furnished to the Commission and the consent of the Commission has been obtained to the payment of commissions; and, further, that thereafter no commissions shall be paid on future sales except upon stock, the full par value of which has been paid to applicant in cash. In no case shall the commissions paid exceed 20 per cent of the par value of the stock sold.

(5) That applicant, before attempting to sell any stock, shall come to some agreement with Hahn & Sons by which applicant's title to the rights of way shall be cleared of all encumbrances.

(6) That applicant shall not enter into any agreement for the construction of the road without further consent of the Commission.

In conformity with the above suggestions, I recommend the following form of order:

**ORDER.**

Big Four Electric Railway Company having applied to this Commission for permission to issue its capital stock of the par value of \$392,058.00 for the further acquisition of rights of way for applicant's proposed railway and for the construction and equipment thereof and the necessary incidental expenses in connection therewith as shown by "Exhibit D," attached to the application, and for the discharge of applicant's obligations as shown in its financial statement, "Exhibit A" attached to the application, and a public hearing having been held on this application and the Commission being of the opinion that the purposes for which this stock is to be issued are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Big Four Electric Railway Company be and the same is hereby authorized to issue three hundred ninety-two thousand and fifty-eight (392,058) shares of its capital stock of the par value of three hundred ninety-two thousand and fifty-eight dollars (\$392,058.00), upon the following terms and conditions, and not otherwise, to wit:

(1) That prior to the issue of any stock, applicant shall take up the three notes heretofore mentioned in this opinion, amounting in all to one thousand two hundred dollars (\$1,200.00), which were given to the Avery Mill and Lumber Company to compensate the latter for paying off in lumber certain bills of applicant.

(2) That subscribers' notes heretofore referred to as being deposited in the Citizens' Bank and Trust Company of Visalia in the amount of forty-one thousand six hundred and twenty-five dollars (\$41,625.00) be placed in the treasury of the applicant and that a detailed list of same be furnished this Commission and certified to as being correct by the president and secretary of the Big Four Electric Railway Company, applicant herein.

(3) That the indebtedness of Frank Avery in the amount of one thousand seven hundred ninety-eight and 21/100 dollars (\$1,798.21) be paid in full before any of such stock shall be issued. The directors of applicant are hereby ordered either to collect this sum within thirty days from date of this order or to repay this amount into applicant's treasury under their liability as directors.

(4) That inasmuch as it is proposed by applicant to sell this stock all in one block no commissions be paid on the sale of any stock until there is at least one hundred thousand dollars (\$100,000) in cash realized therefrom and deposited to the credit of said company, and



the consent of the Commission has been obtained to the payment of commissions, and that thereafter no commission shall be paid until the full par value of the stock sold has been received by applicant in cash; and

*It is further ordered* that in no case shall the commissions paid for the sale of stock exceed twenty per cent (20%) of the par value thereof;

*It is further ordered* that applicant, before attempting to sell any stock, shall come to some agreement with Hahn & Sons by which applicant's title to the rights of way shall have been cleared of all encumbrances;

*It is further ordered* that applicant will enter into no agreement for the construction of said road without the further order of the Commission;

*It is further ordered* that applicant incur no financial obligations without the prior consent of the Commission;

*It is further ordered* that the Big Four Electric Railway Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the stock hereby authorized to be issued; and on or before the twenty-fifth day of each month the Company shall make verified reports to the Commission stating the sale or sales of stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order;

*It is further ordered* that the authority herein granted applicant to issue stock shall apply only to stock issued before December 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at an Francisco, California, this 18th day of May, 1914.

Decision No. 1522, grade crossing; not printed. See end of volume.

DECISION No. 1523.

IN THE MATTER OF THE APPLICATION OF P. T. DURFY FOR  
AN ORDER AUTHORIZING THE SALE OF A WATER  
SYSTEM.

---

Application No. 942.

*Decided May 18, 1914.*

---

*T. C. Gould*, for P. T. Durfy.

*Gurney E. Newlin*, for John Hanlon.

REPORT OF THE COMMISSION.

OPINION ON REHEARING.

EDGERTON, *Commissioner*.

An order has heretofore been entered in this proceeding, and John Hanlon now asks for a rehearing in said matter.

The application for rehearing consists of an argument against the position taken by the Commission in the order heretofore made, and to my mind presents no convincing ground for either reversing the position heretofore taken or for opening this matter for further consideration, and I therefore recommend that the application be denied, and submit herewith the following form of order:

ORDER.

John Hanlon having made an application for rehearing in the above entitled matter, and said application having been duly considered, and it appearing to the Commission that for the reasons set out in the foregoing opinion, the application of John Hanlon for rehearing in the above entitled matter is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18th day of May, 1914.

## DECISION No. 1524.

IN THE MATTER OF THE APPLICATION OF TULARE COUNTY POWER COMPANY FOR AUTHORITY TO ISSUE FIFTY THOUSAND DOLLARS OF CONSUMERS' COMMON STOCK.

---

Application No. 439.

*Decided May 18, 1914.*

---

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

The applicant herein having filed a written request that this application be dismissed,

*It is hereby ordered* that the same be and is hereby ordered dismissed.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18th day of May, 1914.

---

DECISION No. 1525.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION AND SAN JOAQUIN LIGHT AND POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF PROMISSORY NOTES AND BONDS.

---

Application No. 992.

*Decided May 18, 1914.*

---

Application of the San Joaquin Light and Power Corporation to issue bonds of the face value of \$3,051,000.00 and of the San Joaquin Light and Power Company to issue bonds of the face value of \$129,000.00 granted, provided that said bonds shall be issued only at their face value and only for the purpose of retiring underlying bonds of a like amount now outstanding.

*Short & Sutherland and W. A. Sutherland*, for Applicants.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

This is an application on the part of San Joaquin Light and Power Corporation for an order authorizing the issue of certain bonds, as will hereinafter appear in greater detail. Although the application as originally prepared was an application of the San Joaquin Light and Power Corporation alone, an amendment to the application so as to

include the San Joaquin Light and Power Company was made at the hearing which was held in the city of Fresno on May 5, 1914. Heretofore, on March 2, 1914, this Commission made its order authorizing the issue of the notes as requested by San Joaquin Light and Power Corporation. The present supplemental opinion and order will accordingly be confined to the question of bonds.

San Joaquin Light and Power Corporation was incorporated under the laws of California on July 19, 1910, and under its articles, has general public utility powers. Shortly after its incorporation, the company acquired by deed, the properties of San Joaquin Light and Power Company, the Power Transit and Light Company and the Merced Falls Gas and Electric Company. The San Joaquin Light and Power Company was the owner of certain hydroelectric properties in the San Joaquin Valley, and also controlled through stock ownership the following corporations: the Madera Light and Power Company, owning and operating an electric plant in and about Madera; the Madera Water Works, engaged in the distribution of water on the east side of the tracks of the Southern Pacific Railroad Company in Madera; the Madera Electric and Water Company, distributing water on the west side of the tracks of the Southern Pacific Railroad Company in Madera; the Selma Water Works, owning and operating a public utility water system in the town of Selma; and the Lemoore Light and Power Company, engaged in the business of distributing electricity in and about Lemoore.

The Power Transit and Light Company owned certain hydroelectric properties on the Kern River, and also controlled the Bakersfield Gas and Electric Light Company and the Bakersfield and Kern Electric Railway Company, of which companies the former owned and operated a gas and electric light plant in the city of Bakersfield and the latter a street railway in the same city.

The Merced Falls Gas and Electric Company owned and operated gas and electrical distributing systems in and about Merced and owned a small power plant at Merced Falls.

The authorized capital stock of the San Joaquin Light and Power Corporation consists of \$25,000,000.00, par value, divided into 250,000 shares, of the par value of \$100.00 each, of which amount 100,000 shares, of the par value of \$10,000,000.00, are preferred stock and 150,000 shares, of the par value of \$15,000,000.00, are common stock. The articles provided that the holders of preferred stock shall be entitled to receive from surplus profits yearly dividends at the rate of 6 per cent per annum, which dividends are declared to be cumulative subsequent to January 1, 1912. Of the stock so authorized, preferred stock of the par value of \$6,500,000.00 and common stock of the par value of \$11,000,000.00 has been issued. Of this amount, preferred stock of the par value of \$5,500,000.00 and common stock of the par value of

\$9,995,000.00 were issued to the stockholders of the amalgamated companies at the time the San Joaquin Light and Power Corporation was incorporated. Common stock of the par value of \$5,000.00 was issued to the incorporators. Thereafter, and prior to March 23, 1912, the corporation sold \$1,000,000.00, par value, of preferred stock for \$750,000.00, and issued as a bonus its common stock of the par value of \$1,000,000.00. On August 1, 1910, the books of the amalgamated companies showed resources other than rights and franchises, amounting to \$5,572,719.66. On the same day there were bonds and notes outstanding amounting to \$4,157,691.86, thus leaving a balance of \$1,415,027.80 to meet current liabilities of \$436,310.79, thus showing a book value of tangible assets over liabilities amounting to \$978,717.01. This sum, together with such value, if any, as should be assigned to intangible assets, represents the total value for which the San Joaquin Light and Power Corporation issued its preferred stock amounting to \$5,500,000.00 and its common stock amounting to \$9,995,000.00. The company frankly states that its common stock is practically all water, and the same conclusion would seem to follow with reference to a considerable portion of its preferred stock, as the statement of tangible assets and of liabilities hereinafter given will show.

At the time the San Joaquin Light and Power Corporation took over the properties of the amalgamated companies, it acquired them subject to certain bonded indebtedness, as will hereinafter appear. The following table shows the date of issue, the date of maturity, the total par value authorized and the total par value issued of bonds and two-year gold notes in the hands of the public on February 28, 1914:

TABLE No. 1.

	Date of issue	Date of maturity	Total par value authorized	Par value not held by respondent
San Joaquin Light and Power Corporation, first and refunding 5's, Series "A" .....	8/1/10	8/1/50	\$1,500,000	\$1,500,000
San Joaquin Light and Power Corporation, first and refunding 5's, Series "B" .....	8/1/10	8/1/50	23,500,000	2,760,000
San Joaquin Light and Power Company, first mortgage 5's .....	6/1/05	6/1/45	3,000,000	2,695,000
San Joaquin Power Company, first mortgage 5's .....	12/1/02	12/1/42	800,000	129,000
Selma Light and Water Company, first mortgage 6's .....	Serially	Serially	20,000	10,000
Power Transit and Light Company, first mortgage 5's .....	6/1/03	6/1/33	2,500,000	105,000
Bakersfield Gas and Electric Company, first mortgage 6's .....	Serially	-----	100,000	16,000
Bakersfield and Kern Electric Railway Company, first mortgage 5's .....	7/1/01	7/1/31	250,000	94,000
San Joaquin Light and Power Corporation, two-year gold notes 6's .....	8/1/13	8/1/15	1,875,000	909,000
<b>Totals</b> .....			<b>\$33,295,000</b>	<b>\$8,218,000</b>

The San Joaquin Light and Power Corporation also has outstanding \$1,214,000.00 of its Series "B" bonds, which have been pledged as security for its two-year gold notes, amounting to \$909,000.00, and \$133,000.00 of its Series "B" bonds as collateral for a loan from Carl Raiss & Company for \$100,000.00.

The following table contains a constructive balance sheet of San Joaquin Light and Power Corporation's tangible assets and its liabilities as of February 28, 1914:

TABLE No. II.

Plant .....	\$11,492,805 13	
Unaudited investment—\$83,686.94—80 per cent.....	66,949 55	
Undistributed disbursements—\$122,247.67—80 per cent.....	97,798 13	
		\$11,657,552 81
Deduct amount added to dam and reservoir account.....		963,195 01
		\$10,694,357 80
Rights and franchises, cash paid.....	\$46,136 61	
Organization .....	24,382 52	
		70,519 13
Cash .....	\$35,797 79	
Notes receivable .....	216,659 09	
Accounts receivable .....	410,671 12	
Materials and supplies.....	362,836 70	
Suspense .....	41,186 93	
Prepaid tax, etc.....	21,219 34	
Treasury securities .....	88,892 12	
	\$1,177,263 09	
Less accruals deposits and prepayments (offset)....	182,984 07	
		994,279 02
		\$11,759,155 95
<i>Liabilities.</i>		
Bonds .....	\$8,218,000 00	
Accounts payable .....	280,656 44	
Notes payable .....	1,103,735 63	
Unaudited invoices payable.....	64,560 50	
Pay roll .....	37,030 74	
		9,703,983 31
Equity for stockholders over all liabilities.....		\$2,055,172 64

San Joaquin Light and Power Corporation has heretofore submitted an estimate of the cost to reproduce its physical properties new, as of May 31, 1912. At the hearing of this application the Company introduced its Exhibit No. 2, showing also the additions to capital account subsequent to May 31, 1912. The following table shows the general summary by districts of the estimated cost to reproduce new as of May 31, 1912, the amounts expended for additions and betterments subsequent to May 31, 1912, as shown by the books of the San Joaquin

Light and Power Corporation, and the total of these amounts as of February 28, 1914:

TABLE No. III.

Description	Cost to reproduce, May 31, 1912	Additions	Cost to reproduce, February 28, 1914
<b>Bakersfield—</b>			
Electric .....	\$919,369	\$163,622	\$1,082,991
Steam plant .....	457,937	274,211	732,148
Gas .....	382,149	16,274	398,423
Railway .....	650,452	831	651,283
	\$2,409,907	\$154,938	\$2,864,845
<b>Corcoran .....</b>	83,519	75,394	158,913
<b>Crane Valley .....</b>	2,491,879	13,745	2,505,624
<b>Dinuba .....</b>	147,200	60,055	207,255
<b>Fresno .....</b>	990,654	162,571	1,153,225
<b>Los Angeles .....</b>		4,271	4,271
	111,487	35,988	147,475
<b>Madera—</b>			
Electric .....	92,366	132,078	224,444
Water .....	58,602	2	58,600
	150,968	132,076	283,044
<b>Merced—</b>			
Electric .....	224,947	\$0,386	305,333
Gas .....	68,034	6,089	74,123
	292,981	86,475	379,456
<b>Midway .....</b>	193,115	129,851	322,966
<b>Selma—</b>			
Electric .....	90,230	65,008	155,238
Gas .....	61,709	2,652	64,361
Water .....	54,893	12,017	66,910
	206,832	79,677	286,509
<b>Tule River .....</b>		796,141	796,141
<b>Transmission .....</b>	976,621	296,623	1,273,244
<b>Telephone lines .....</b>	94,265	29,039	123,304
<b>Miscellaneous .....</b>	206,241	71	206,312
<b>San Joaquin power- house No. 2 (under construc- tion) .....</b>		91,302	91,302
<b>Total, San Joa- quin Light and Power Corpo- ration's prop- erties .....</b>	\$8,355,669	\$2,448,217	\$10,803,886

While this Commission has not had an opportunity to check over the J. G. White & Company estimate in detail, I desire to draw attention to the fact that this company's total estimate as of February 28, 1914, amounting to \$10,803,886.00 tallies closely with the book value of the physical property, amounting to \$10,694,357.80.

It will be observed from Table No. II, that based on the book value of the tangible assets of the San Joaquin Light and Power Corporation, the company has an equity for its stockholders over all liabilities amounting to \$2,055,172.64. It should be borne in mind in this connection, how-

ever, that some depreciation has no doubt taken place, so that the real equity, in so far as the tangible assets are concerned, is somewhat less than this amount.

The San Joaquin Light and Power Corporation now asks authority to issue \$3,041,000.00 of its first and refunding mortgage Series "B" 5 per cent bonds, for the purpose of retiring all the present outstanding underlying bonds, and the San Joaquin Light and Power Company asks authority to issue \$104,000.00, face value, of its first mortgage 5 per cent bonds for the purpose of retiring a like amount of San Joaquin Power Company's first mortgage 5 per cent bonds. The application is in the alternative with reference to the \$104,000.00, face value, of outstanding bonds of the San Joaquin Power Company. Applicant desires to be in the position of issuing bonds of either corporation in exchange for the outstanding bonds of the San Joaquin Power Company, but the intention ultimately is to call in all the outstanding bonds of all the constituent companies, leaving the mortgage of the San Joaquin Light and Power Corporation of August 1, 1910, a first mortgage on all the property of the mortgagor and of the corporations controlled by it.

Applicants also state that they have heretofore issued bonds as follows:

(1) On may 23, 1913, \$24,000.00, face value, of San Joaquin Light and Power Company's first mortgage 5 per cent bonds for a like face value of San Joaquin Power Company's first mortgage 5 per cent bonds.

(2) On November 29, 1913, \$1,000.00, face value, of San Joaquin Light and Power Company's first mortgage 5 per cent bonds for a like face value of San Joaquin Power Company's first mortgage 5 per cent bonds.

(3) On January 26, 1914, \$10,000.00, face value, of San Joaquin Light and Power Corporation's first and refunding mortgage 5 per cent bonds for a like face value of Selma Light and Water Company's 6 per cent bonds, being the entire outstanding issue of the latter company.

These bonds were all issued without this Commission's prior order, as provided in section 52 of the Public Utilities Act, and are accordingly all void. Applicants ask this Commission to ratify their acts in issuing said bonds. As this Commission has no power to ratify an act which, under the Public Utilities Act, is void, *ab initio*, the Commission can not comply with this request. However, as there apparently was no intention to evade the provisions of the Public Utilities Act, and as the financial condition of applicants will be improved by calling in the underlying bonds, I recommend that authority be granted to applicants to issue their bonds in the amounts heretofore issued in exchange for the underlying bonds which the applicants intended to call in.



The earnings and expenses of the San Joaquin Light and Power Corporation, as shown by its annual report on file with this Commission for the year ending December 31, 1913, are as follows:

TABLE No. IV.

<i>Earnings.</i>		
Operating revenue .....	\$1,652,607 40	
Operating expenses .....	915,802 26	
Net operating revenue.....		\$736,805 14
<i>Other Income.</i>		
Rent .....	\$4,063 70	
Interest and dividend revenue.....	2,994 39	
Sinking fund and accretions.....	5,683 84	
Miscellaneous .....	669 38	
		13,411 31
Total income less operating expenses.....		\$750,216 45
<i>Deductions.</i>		
Interest on funded debt.....	\$343,151 90	
Other interest .....	76,348 97	
Uncollectible bills .....	4,595 75	
Rent .....	179 00	
Amortization of debt discount and expenses.....	16,904 10	
Miscellaneous .....	1,567 24	
		442,746 96
Balance for year carried on surplus account.....		\$307,469 49

The annual report of the San Joaquin Light and Power Corporation shows profit and loss statement or corporate surplus account as of December 31, 1913, as follows:

TABLE No. V.

Additions for year:		
Brought forward from income account.....		\$307,469 49
Miscellaneous additions .....		223,512 17
Total .....		\$530,981 66
Deductions for year:		
Dividends on stock.....	\$390,000 00	
Sinking fund .....	60,604 66	
Depreciation not covered by reserve.....	8,483 37	
Miscellaneous .....	20,646 15	
		479,734 18
Net surplus for year.....		\$51,247 48
Surplus December 31, 1913.....		23,357 20

Attention should be directed to the fact that although the earnings for 1913 were \$143,135.17 less than the dividends and sinking fund payments, a dividend of \$390,000.00, being at the rate of 6 per cent on the entire outstanding issue of preferred stock, amounting to \$6,500,000.00, was nevertheless declared. This was made possible by taking from the depreciation fund the sum of \$208,5332.46. Applicants' witnesses testi-

fied that the amount set aside for depreciation for the years 1910, 1911 and 1912 was larger than necessary, and that they had made careful investigations in order to ascertain the proper amount to be set aside for this purpose each year. It seems that prior to 1913, the company made depreciation charges on the basis of the following flat percentages:

Electric properties -----	5	5/10	per cent
Gas and water properties -----	3	25/100	per cent
Railway properties -----	3		per cent

This basis has now been changed, so that a different percentage is used for each item of the property. The average of these percentages on the depreciable property of each class of utility is now as follows:

Electric properties -----	3	21/100	per cent
Gas properties -----	3	26/100	per cent
Water properties -----	3	27/100	per cent
Railway properties -----	4	8/10	per cent

When this new schedule was adopted, the charges for each year from the time the depreciation reserve was set up in 1910 to date were changed to correspond to the new rates, with the result that the company reached the conclusion that it had credited this fund with the sum of \$208,532.46 in excess of the necessary amount. This sum was accordingly taken from the depreciation reserve fund and credited to the profit and loss account, so that it became possible to meet the sinking fund requirements, and declare a dividend on the preferred stock amounting to \$390,000.00, and leave a surplus as of December 31, 1913, amounting to \$23,357.20.

This Commission's engineering department has investigated the percentages adopted by the San Joaquin Light and Power Corporation and now set aside for depreciation, and reports that these percentages are not unreasonable. This company will soon present a plan of refinancing, at which time further consideration will be given to this matter. The attention of this utility is hereby directed to the very great danger attendant upon increasing surplus by taking from the depreciation fund of previous years. Such transactions will always be viewed with grave suspicion, particularly when the apparent purpose is to enable the utility to declare a dividend which has not been earned. In so far as this Commission's authority is concerned, it will never sanction such a transaction except upon the clearest proof of its good faith and merit.

While there is obviously a very large discrepancy between the value of the property of the San Joaquin Light and Power Corporation and the amount of stock and bonds outstanding, and while a very considerable portion of the item of rights and franchises, amounting to \$15,463,997.37, should more properly be carried on the books of the company as "unamortized discount on capital stock," it is unnecessary to consider these matters further at the present time for the reason that the San Joaquin Light and Power Corporation will soon present to

this Commission a plan for refinancing the company in such a way as to establish a more normal relationship between the value of the property and the face value of its stock and bonds, and also for securing funds for necessary additional capital expenditures from sources other than bonds.

I find that applicants' plan of calling in the underlying bonds of the constituent properties is desirable and commendable, and accordingly recommend that the application be granted. Applicants intend to exchange their bonds for the underlying issues, bond for bond, and not to increase their bonded indebtedness as the result of the exchange.

I submit herewith the following form of supplemental order:

**SUPPLEMENTAL ORDER.**

San Joaquin Light and Power Corporation having applied to the Railroad Commission for an order authorizing the issue by said company of its first and refunding mortgage, Series "B," 5 per cent bonds, of the face value of \$3,051,000.00, said bonds to be payable on August 1, 1950, and to bear interest at the rate of 5 per cent per annum, payable semiannually, and secured by a trust deed or mortgage upon all the property of the company, and San Joaquin Light and Power Company having applied to the Railroad Commission for an order authorizing the issue by said company of bonds of the face value of \$129,000.00, said bonds to be payable on June 1, 1945, and to bear interest at the rate of 5 per cent per annum, payable semiannually, and secured by a trust deed or mortgage upon all the property of the company, and a public hearing having been held upon said applications, and the Commission finding that the purposes for which said bonds are to be issued are not reasonable chargeable to operating expenses or to income,

*It is hereby ordered* that San Joaquin Light and Power Corporation be and the same is hereby authorized to issue \$3,051,000.00, face value, of principal of bonds of said company, maturing on August 1, 1950, and bearing interest at the rate of 5 per cent per annum, payable semiannually, under and in pursuance of the terms of the trust deed or mortgage heretofore and on August 1, 1910, made and executed by said San Joaquin Light and Power Corporation to the Trust Company of America, trustee, and San Joaquin Light and Power Company is hereby authorized to issue \$129,000.00, face value, of principal of bonds of said company, maturing on June 1, 1945, bearing interest at the rate of 5 per cent per annum, payable semiannually, under and in pursuance of the terms of the deed of trust or mortgage heretofore on August 24, 1905, made and executed by said San Joaquin Light and Power Company to Union Trust Company of San Francisco, trustee, upon the following conditions and not otherwise, to wit:

1. Said bonds shall be issued at not less than their face value in exchange for the bonds hereinafter specified.

2. The bonds to be issued by the San Joaquin Light and Power Corporation may be issued only for the purpose of retiring present outstanding underlying bonds, and the bonds to be issued by the San Joaquin Light and Power Company may be issued only for the purpose of retiring underlying bonds of the San Joaquin Power Company, the bonds to be exchanged bond for bond, on condition that this authorization in so far as the bonds of the San Joaquin Power Company are concerned is in the alternative, so that if either applicant exchanges any of its bonds for those of the San Joaquin Power Company, the face value of the bonds which may be issued by the other applicant will be diminished to the same extent.

3. San Joaquin Light and Power Corporation and San Joaquin Light and Power Company shall keep separate, true, and accurate accounts, showing the issue of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month, each company shall make a verified report to this Commission, stating the issue or issues of bonds during the previous month, the terms and conditions of the issue, and the bonds in exchange for which the issue was made, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. This order shall not become effective until the fee specified in section 57 of the Public Utilities Act, as amended, has been paid.

5. The authority hereby given to issue bonds shall apply only to bonds issued on or before the first day of June, 1915, but if an extension of the effective date of this order becomes necessary at that time, application therefor may be made to the Commission.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18th day of May, 1914.

## DECISION No. 1526.

OAKLAND, ANTIOCH AND EASTERN RAILWAY COMPANY  
*vs.*  
NORTHERN ELECTRIC RAILWAY COMPANY.

Case No. 527.

*Decided May 18, 1914.*

Above entitled proceedings being the culmination of a dispute between parties in interest as to which shall bear the expense of construction of a certain crossing near the city of Sacramento.

*Held*, Interested parties directed to construct within two months a standard three-rail crossing, expense of said crossing to be shared three fourths by the Oakland, Antioch and Eastern Railway Company and one fourth by the Northern Electric Railway Company.

*Jesse H. Steinhart and Corbet & Selby*, for Complainant.

*T. T. C. Gregory and C. J. Goodell*, for Defendant.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

The only real issue in this proceeding is the question of which of the two railway companies affected shall bear the expense of the installation of a proper crossing between the line operated by the Oakland, Antioch and Eastern Railway and a spur track or wharf track belonging to the Northern Electric Railway Company at a point immediately west of the west end of the so-called M-street bridge across the Sacramento River, connecting Sacramento County and Yolo County.

It appears that a spur track was constructed by the predecessors in interest of the Northern Electric Railway Company for the purpose of connecting their line of railway in Yolo County with their proposed wharves to be located on the west bank of the Sacramento River, and that the spur track was constructed prior to the line of railway now operated by the Oakland, Antioch and Eastern Railway. It also appears that the latter line was constructed by the Vallejo and Northern Railroad Company, one of the predecessors of the Northern Electric Railway Company, under a contract by which the Vallejo and Northern Railroad Company was to be reimbursed for such construction by the Oakland, Antioch and Eastern Railway. The latter company claims that the Northern Electric people and their predecessors sought to secure an advantage over the Oakland, Antioch and Eastern by constructing the spur track prior to the construction of the main line now operated by the Oakland, Antioch and Eastern, for the purpose of placing the latter company in the position of a "crossing" railroad, so that it would become the duty of the Oakland, Antioch and Eastern to pay the expense of the crossing at this point.

It appeared at the hearing that only a short while ago certain cars of the Oakland, Antioch and Eastern were derailed at this crossing. Both parties agree that the crossing, which is a so-called "jump" crossing, is unsafe, and that a safe, permanent crossing should be installed. Although fourteen passenger trains and two freight trains are operated by the Oakland, Antioch and Eastern daily over this crossing, and although the safety of its passengers and employees has been threatened by the unsatisfactory character of the crossing, and although the crossing has also been used by the Northern Electric, these two railway companies have permitted the matter to remain *in statu quo*, and have failed to put in a safe crossing simply because they have been fighting over the question of who should bear the expense, the total amount of which will not be over \$500.00 or \$600.00. It seems unfortunate that the safety of the traveling public and of the railway employees should be menaced by any such petty contentions between these companies.

All parties agreed at the hearing that a standard three-rail crossing should be constructed and that the crossing will be sufficiently protected from the tower which stands near the west end of the M-street bridge.

The Northern Electric's representatives stated that while they had been willing to share the expense of the crossing half and half with the Oakland, Antioch and Eastern Railway, they had stood on what they believed to be their legal rights as the "crossed" road for the reason that the Oakland, Antioch and Eastern claimed that the crossing should be constructed without any expense to that company. As the facts show that the Northern Electric Company's spur track or wharf track was first constructed, regardless of the motive for such construction, the Oakland, Antioch and Eastern is technically in the position of the "crossing" railroad. While it might well be that this company could be compelled to bear the entire expense of the installation of a permanent crossing, there are some equities on the other side. The Northern Electric originally offered to bear one half of the cost of constructing the crossing and the Oakland, Antioch and Eastern should have accepted this offer.

I find on the facts of this case that it would be fair to provide that the Northern Electric should bear one fourth of the cost of the crossing and that the Oakland, Antioch and Eastern should bear three fourths of such cost. It must be clearly understood that this solution is one which seems fair and equitable on the facts of this case, and that it is not to be taken as establishing a usual and permanent rule with reference to the incidence of the expense of railroad crossings as between the "crossing" railroad and the "crossed" railroad.

I submit herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding, and the matter having been submitted and being now ready for decision,

*It is hereby ordered* that the parties to this proceeding be and they are hereby ordered to install within two months from the date of this order, a standard three-rail crossing at the point at which the rails now operated by the Oakland, Antioch and Eastern Railway cross the so-called spur track or wharf track of the Northern Electric Railway Company immediately west of the west end of the Sacramento M-street bridge, and that the expense of said crossing be shared one fourth by the Northern Electric Railway Company and three fourths by the Oakland, Antioch and Eastern Railway.

The parties will be expected to agree among themselves as to which one shall install the crossing, and it is to be hoped that they will henceforth bear in mind that they should not permit their petty squabbles to interfere with the safety of the passengers and employees riding on their respective trains.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18th day of May, 1914.

---

DECISION No. 1527.

IN THE MATTER OF THE APPLICATION OF JOHN HANLON  
FOR AN ORDER AUTHORIZING THE SALE OF A WATER  
SYSTEM.

---

Application No. 941.

*Decided May 18, 1914.*

---

*T. C. Gould*, for P. T. Durfy.

*Gurney E. Newlin*, for John Hanlon.

REPORT OF THE COMMISSION.

OPINION ON REHEARING.

EDGERTON, *Commissioner*.

The application herein was dismissed by order of this Commission on the grounds set out in the opinion preceding the order made in

Application No. 942, and applicant now asks for a rehearing in this matter.

No new facts are presented in the application for rehearing, which consists of an argument covering the ground already considered by the Commission in making its order.

I see no reason for changing the views heretofore expressed in this matter, and I therefore recommend that this application be denied, and submit herewith the following form of order:

**ORDER.**

Applicant herein having made application for rehearing in the above entitled matter, and said application having been duly considered, for the reasons set out in the foregoing opinion, said application is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this 18th day of May, 1914.

**DECISION No. 1528.**

**IN THE MATTER OF THE APPLICATION OF THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA, FOR THE OPENING OF CERTAIN PUBLIC ROADS IN SAID COUNTY IN THE VICINITY OF THE CITY OF RICHMOND, SAID ROADS TO CROSS THE TRACK AND RIGHT OF WAY OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND THE LANDS OF THE EAST BAY REALTY COMPANY.**

---

**Application No. 1040.**

***Decided May 18, 1914.***

---

Application of the board of supervisors of the county of Contra Costa for an order of the Commission directing the construction of three certain crossings over the tracks of the Atchison, Topeka and Santa Fe Railway Company near Richmond, granted as to two of said crossings and denied as to the third, as being unnecessary at the present time.

**A. B. McKenzie**, district attorney, for Board of Supervisors of Contra Costa County, California.

**M. W. Reed**, for the Atchison, Topeka and Santa Fe Railway Company.

**L. D. Manning**, for the East Bay Realty Company.



## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This proceeding was instituted under section 2694 of the Political Code of the State of California, which reads as follows:

2694. Whenever the general route of the road to be abandoned, altered, laid out or constructed is shown by the petition provided for by section 2682 of this code to cross the track or right of way of any railroad or street railroad, the county clerk of the county wherein said petition is filed shall immediately upon the appointment of viewers by the board of supervisors transmit to the railroad commission a certified copy of the petition and of the order appointing viewers. Said commission shall thereupon fix a day for the hearing of said petition, and shall give notice thereof to said viewers, to the district attorney and clerk of the board of supervisors of the county wherein said petition is filed, and to the resident owner or agent of the owner of the land over which the proposed road is to run and said hearing shall be held at the rooms of the board of supervisors of said county. At said hearing the said commission shall hear the evidence offered as to the crossing of said track or right of way by said proposed road, and shall thereupon determine whether said proposed road shall, if constructed, be constructed across said track at grade or otherwise, and shall determine and prescribe the manner, including the particular point of crossing and the terms of installation, operation and maintenance, use and protection of said crossing. The said conclusions of said commission shall thereupon be reported to the board of supervisors, and in its order fixing a day for hearing the viewers' report, the said board shall include therein an order fixing a day for hearing said conclusions which shall be the same day fixed for hearing the said viewers' report. Notice of said hearing shall be given in the manner and for the time prescribed by section 2688 of this code, and, in addition to said notice, the county clerk shall notify said commission of the time and place of said hearing, and at said hearing the board of supervisors shall first proceed to the consideration of said conclusions of said commission, and if the same be rejected, no further proceeding shall be had in said matter. If the same be approved, said board shall proceed in the manner provided by law to act upon said viewers' report. The board shall have no power to change or modify said conclusions except by and with the consent of said commission.

It is an application by the board of supervisors for the opening of certain public roads in Road District No. 1, Supervisor District No. 1, in Contra Costa County, California, across the track and right of way of the Atchison, Topeka and Santa Fe Railway Company, said roads being particularly described as follows:

*First*—A public road known as "Richmond Boulevard," commencing on the west right of way line of the San Francisco-Oakland Terminal Railways, and thence southwesterly along Richmond Boulevard and its direct production southwesterly across the right

of way of the Atchison, Topeka and Santa Fe Railway Company, and thence southwesterly along said Richmond Boulevard to the northeasterly line of San Pablo avenue.

*Second*—A public road known as “Cutting Boulevard,” commencing on the southwesterly line of the right of way of the San Francisco-Oakland Terminal Railways, and running thence southwesterly along said Cutting Boulevard and its direct production southwesterly across the right of way of the Atchison, Topeka and Santa Fe Railway Company, and thence along said Cutting Boulevard to the northeasterly line of San Pablo avenue.

*Third*—A strip of land twenty (20) feet in width, along the northwesterly line of Hill street, or Road No. 5, extending from the southwesterly line of the right of way of the San Francisco-Oakland Terminal Railways to the northeasterly line of San Pablo avenue, and extending over the right of way of the Atchison, Topeka and Santa Fe Railway Company.

All of the above as shown by the maps and profiles attached to the application.

These roads were laid out and constructed by the East Bay Realty Company to afford ingress and egress to and from two subdivisions recently put upon the market by this company, and named “Richmond Junction, Contra Costa County, California,” and “Richmond Junction Heights, Contra Costa County, California.”

The roads are intended to cross the main line track of the Atchison, Topeka and Santa Fe Railway Company, which latter company objects to these crossings and refused an easement over its right of way.

A hearing was held in Martinez on April 2, 1914, at which the three interested parties were represented. It developed that the railway company based its objections solely on the added hazard to the operation of its trains and the danger to the public created by the installation of three crossings in relatively close proximity to each other.

An investigation into the physical conditions shows that a separation of grades at these proposed crossings is impracticable. Only a very small population lives in this territory at the present time, but I am of the opinion that provision should be made to serve the reasonable future needs of the people who will undoubtedly soon occupy these subdivisions. Without roads at frequent intervals this country can not build up, and some of these roads must of necessity cross the Atchison, Topeka and Santa Fe Railway Company's track at grade.

I believe, however, that a need for three railroad crossings within a distance of less than thirteen hundred (1300) feet does not now exist, and I recommend that the crossing on Richmond Boulevard should not be granted.

Hill street, which is now known as County Road No. 5, is at present an established road crossing, and the proposed widening of this street from forty (40) to sixty (60) feet seems desirable, and permission for

the installation of this crossing should be granted. I am also in favor of permitting a crossing at Cutting Boulevard, which street is located approximately in the middle of the territory in question.

Subsequent to the hearing, negotiations were carried on between the East Bay Realty Company and the Atchison, Topeka and Santa Fe Railway Company with a view of settling the questions of cost of construction and maintenance of the crossings and of the installation and division of cost of safety devices; and I understand that a conclusion has been reached satisfactory to both parties.

I recommend that the application be granted in a modified form, and submit herewith the following order:

**ORDER.**

Application having been made by the board of supervisors of Contra Costa County, California, for the opening of certain public roads in said county, in the vicinity of the city of Richmond, said roads to cross the right of way of the Atchison, Topeka and Santa Fe Railway Company and the lands of the East Bay Realty Company; and a hearing having been duly held; and it appearing to the Commission that it is desirable for the use and convenience of the public to have two (2) of the above named roads constructed across the track of the Atchison, Topeka and Santa Fe Railway Company, and that it is not responsible or practicable to avoid grade crossings with said railroad, and that the application, to that extent, should be granted subject to the conditions herein-after specified; but that it is not necessary or desirable to have a crossing at grade with Richmond Boulevard, and that the application, to that extent, should be denied,

*It is hereby ordered* that permission be hereby granted the board of supervisors of Contra Costa County, California, to construct the following roads at grade across the track of the Atchison, Topeka and Santa Fe Railway Company:

*First*—A public road known as “Cutting Boulevard,” commencing at the southwesterly line of the right of way of the San Francisco-Oakland Terminal Railways, and running thence southwesterly and across the track and right of way of the Atchison, Topeka and Santa Fe Railway Company.

*Second*—A strip of land twenty (20) feet in width, along the northwesterly line of Hill street, or County Road No. 5, extending from the southwesterly line of the San Francisco-Oakland Terminal Railways to the northeasterly line of San Pablo avenue, and over and across the track and right of way of the Atchison, Topeka and Santa Fe Railway Company.

The above crossings as shown by the map and profiles attached to the application and subject to the following conditions, viz:

(1) The entire expense of constructing the crossings shall be borne by the East Bay Realty Company.

(2) The expense of maintaining the crossings thereafter in good and first-class condition for the safe and convenient use of the public, up to within two (2) feet on each side of the rails of the Atchison, Topeka and Santa Fe Railway Company, shall be borne by applicant. The Atchison, Topeka and Santa Fe Railway Company shall maintain said crossings across its track and to within two (2) feet on the outside thereof.

(3) Said crossings shall be constructed with grades of approach not exceeding six (6) per cent, and shall be ballasted with first-class stone or gravel ballast to a depth of not less than six (6) inches, and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(4) The Atchison, Topeka and Santa Fe Railway Company shall construct at the expense of the East Bay Realty Company and maintain at its own expense for the protection of Crossing No. 1 (Cutting Boulevard) a first-class standard automatic flagman which, upon the approach of a train, shall display a red light, said light to have the motion of an inverted pendulum, and which shall at the same time sound an automatic warning bell. Attached to the support of this device, or one of equal efficiency, shall be a first-class standard highway crossing sign, marked with appropriate black letters, not less than six (6) inches in height, on a white background.

The crossing on Richmond Boulevard, as hereinabove described, is hereby denied, and the application to that extent be and the same is hereby dismissed without prejudice.

The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossings as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

Dated at San Francisco, California, this 18th day of May, 1914.

## DECISION No. 1529.

## MODESTO CHAMBER OF COMMERCE

vs.

## SOUTHERN PACIFIC COMPANY.

Case No. 557.

*Decided May 18, 1914.*

Complainant alleges that the present depot of defendant in the city of Modesto is inadequate in size and inconveniently situated and petitions the Commission to compel defendant to construct an adequate depot conveniently located upon a site selected by the Commission.

*Held.* Defendant directed to submit within sixty days for the approval of the Commission, plans for the construction of a depot to cost approximately \$15,000.00, midway between I and J streets in the city of Modesto, and to construct said depot six months after the approval of such plans.

*L. J. Maddux*, for the Modesto Chamber of Commerce.

*L. L. Dennett*, appearing for those in favor of the "I" street location.

*J. W. Hawkins*, appearing for those in favor of the "K" street location.

*George D. Squires*, for the Southern Pacific Company.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

On March 7, 1914, the Modesto Chamber of Commerce filed with this Commission its complaint against the Southern Pacific Company, alleging, in effect, that defendant's depot in the city of Modesto is insufficient for the use of the public and the transaction of the business of the Southern Pacific Company; and that it is necessary for the public convenience and for the transaction of business that a larger depot be constructed. Complainant also states that it is informed of the Southern Pacific Company's intention to erect a new depot at a place other than the one where the present depot is situated, and one which will not serve to the best advantage the convenience of its patrons. Complainant states that there are available sites upon which the proposed depot could be built that would serve the public convenience and necessity, and prays that this Commission make an order requiring the Southern Pacific Company to construct a depot sufficient for the transaction of business and the convenience of the public; and also that the Commission select a site for the construction of this depot.

The answer to this complaint was filed by the Southern Pacific Company on March 27, 1914. In this answer the defendant prays that the complaint be dismissed, and denies that it is necessary for the public convenience and for the transaction of business that a large

depot be constructed. The defendant avers that the present depot is adequate for the use of the public and for the transaction of the Southern Pacific Company's business. Defendant further denies that it is about to commence the erection or construction of a depot building at some point in the city of Modesto, but states that it contemplates in the near future the construction of a new depot which will be adequate for the future needs of the city of Modesto, and which will be projected as soon as the resources and financial condition of the defendant will permit. The defendant states further that it has not selected a site for any new depot which it may construct in Modesto, and if it be determined that a new depot be built in the near future, defendant is willing to erect same upon a site which in the opinion of the Commission will best subserve the convenience of the people of the city of Modesto.

The hearing in this case was held in Modesto on April 21, 1914, and the case was submitted subject to the filing of certain additional information by both parties. This data has since been filed, and with the information on hand the case is ready for decision.

Modesto is the county seat of Stanislaus County and is situated in about the convenient center of the Modesto irrigation district, comprising an area of about 82,000 acres, in one of the richest agricultural regions of this State. It is a rapidly growing city of approximately 7,000 population, with an assessed property value of over \$4,000,000.00. The city is located on the Lathrop-to-Fresno main line of the Stockton Division of the Southern Pacific Company's Pacific System, and is a Class A station. Five (5) regular passenger trains and two (2) freight trains in each direction daily stop at Modesto. The city is the junction point of the Southern Pacific, Modesto and Empire Railroad and the Tidewater and Southern Railroad. As a passenger and freight station it is a most important revenue producing point on the Southern Pacific Company's lines. An idea of its importance in this respect will be had from certain Southern Pacific Company traffic statistics for the last available twelve months.

**TABLE No. 1.**  
**Passenger Business—Modesto.**  
**March, 1913, to February, 1914, inclusive.**

Month	Passengers			Revenue accruing		
	Local	Interline	Total	Local	Interline	Total
<b>1913</b>						
March -----	6,727	81	6,808	\$9,326 05	\$3,446 75	\$12,772 80
April -----	6,640	72	6,712	9,353 70	3,114 49	12,468 19
May -----	7,148	128	7,276	9,847 10	4,794 16	14,581 26
June -----	7,270	134	7,404	9,996 80	3,292 05	13,288 85
July -----	8,386	120	8,506	14,256 60	3,224 26	17,480 86
August -----	7,601	80	7,681	11,679 55	8,077 94	14,756 89
September -----	6,606	62	6,670	10,264 60	2,416 53	12,681 13
October -----	7,316	52	7,368	10,467 74	2,129 49	12,597 23
November -----	7,084	46	7,080	10,250 21	1,907 94	12,157 55
December -----	6,711	44	6,755	10,019 70	1,472 42	11,492 12
<b>1914</b>						
January -----	5,563	62	5,625	8,385 60	1,913 33	10,298 93
February -----	4,824	71	4,895	7,240 80	2,695 36	9,936 16
<b>Totals -----</b>	<b>81,828</b>	<b>952</b>	<b>82,780</b>	<b>\$121,088 45</b>	<b>\$33,423 52</b>	<b>\$154,511 97</b>

Average per day, 227.  
Average per train, 23.

Number of trains stopping per day, 10.

**TABLE No. 2.**  
**Freight Business—Modesto.**  
**(Freight handled in pounds.)**  
**March, 1913, to February, 1914, inclusive.**

Month	Forwarded		Received	
	Less-carload	Carload	Less-carload	Carload
<b>1913</b>				
March -----	483,482	2,089,109	2,120,020	7,211,250
April -----	409,504	712,284	1,506,846	9,828,786
May -----	421,006	1,448,044	1,504,823	7,476,524
June -----	359,911	961,309	1,737,630	10,237,870
July -----	510,070	1,535,332	1,878,510	10,336,770
August -----	555,708	1,875,910	2,202,179	5,599,061
September -----	579,473	3,822,880	1,720,055	7,315,492
October -----	744,486	8,944,088	1,627,979	14,510,272
November -----	923,899	2,037,228	2,588,176	7,793,662
December -----	525,100	1,789,655	2,729,899	7,999,665
<b>1914</b>				
January -----	780,787	1,223,786	1,491,966	7,483,704
February -----	877,407	1,461,952	1,694,258	10,553,121
<b>Totals -----</b>	<b>6,670,882</b>	<b>22,916,527</b>	<b>32,791,361</b>	<b>106,846,147</b>

**TABLE No. 2—Continued.**  
**FREIGHT CHARGES.**

Month	Forwarded		Received	
	Less-carload	Carload	Less-carload	Carload
<b>1913</b>				
March .....	\$884 10	\$1,200 63	\$3,862 20	\$6,718 75
April .....	624 64	1,073 58	2,893 28	8,601 32
May .....	725 23	2,507 35	3,546 12	6,935 05
June .....	426 35	1,300 07	4,154 95	9,315 72
July .....	595 72	2,259 18	4,264 10	18,240 76
August .....	608 06	2,239 77	4,210 80	5,764 50
September .....	786 70	5,031 95	4,242 94	6,956 94
October .....	968 94	5,862 55	4,092 99	10,253 05
November .....	1,069 74	6,818 56	5,580 12	6,615 79
December .....	733 90	2,386 64	4,397 14	8,787 34
<b>1914</b>				
January .....	1,501 34	4,518 64	5,115 76	11,725 21
February .....	811 96	2,244 88	5,364 89	7,954 45
<b>Totals .....</b>	<b>\$9,766 68</b>	<b>\$40,473 80</b>	<b>\$51,725 28</b>	<b>\$107,898 88</b>

These tables show that the total passenger receipts at this station for the period named amounted to \$154,511.97, and the freight receipts for the same period to \$209,864.65, making a total of \$364,376.62.

The first passenger depot at Modesto was constructed in 1870, when the Central Pacific Railway reached this territory. This original depot burned down, and the present one was erected on the same site. Modesto, at that time, had a population in the neighborhood of two thousand people, and the surrounding country was but sparsely settled. It was stated at the hearing that the present depot has been in existence for at least twenty-five (25) years, and that no material changes have been made in this structure during that time.

The present structure is a combination freight and passenger depot, and is located on the southeast side of "I" street, in the block bounded by "I" street and "H" street on the northwest and southeast and by Eighth street and Ninth street on the southwest and northeast. It is an old structure, and there can be no question as to its inadequacy to serve a city of the size and importance of Modesto. In fact, the attorney for the defendant at the hearing agreed to stipulate, in order to shorten the introduction of testimony, that the facilities are inadequate and that they should be improved. I fully agree with him.

It appeared at the hearing that the applicant is desirous of effecting a separation of the passenger depot from the freight depot, and that the Southern Pacific Company seemed willing to have such a separation made. It was, however, stipulated and agreed to by both parties that the case before the Commission should be considered as an application for a *passenger* depot only, and that the arrangements for the con-



struction and location of adequate freight facilities be left for the future consideration of this Commission in case the city of Modesto and the Southern Pacific Company can not agree. I shall be content at this time, to make certain suggestions in this respect which appear to me logical and in line with the best interests, present and future, of both the company and the city.

No preference was expressed by the applicant as to the type of depot desired by the city, and no plans or cost estimates were submitted by the defendant. This matter is left for the decision of the Commission. I am not committed to one particular style of building in favor of another, but having in mind the history, character and condition of the city of Modesto, I think that a passenger depot should be built of lath and plaster, or of concrete, or of concrete hollow tile, or of other suitable materials, satisfactory to this Commission, and designed, perhaps, in the so-called Mission style. I am of the opinion that it is reasonable and just to order the defendant to expend for such a structure, this being the passenger depot proper, a sum of not less than fifteen thousand dollars (\$15,000.00). Such a passenger depot, I believe, will adequately serve the present and reasonable future needs of the city of Modesto and the convenience of the railroad company's patrons, and will at the same time be a credit to both the city and the Southern Pacific Company.

Widely conflicting opinions as to the proper location of the proposed passenger depot were voiced at the hearing by various interested witnesses. Certain facts, as will be shown, were brought out and admitted by all sides. "I" street is not only the widest but probably the most important street in Modesto. The standard width of streets in Modesto is eighty (80) feet, while this street has a width of one hundred (100) feet. It runs through the business district in a straight line from the present depot to the courthouse, and is built up practically solid on both sides. The city was originally laid out with "I" street as the main artery of traffic, and the business portion has been built up on that basis. Unless there are very good reasons to the contrary, I should consider it both unwise and unjust to the interests of the city to radically change the location of the passenger depot from the immediate neighborhood of "I" street. Judging by the evidence introduced, there do not appear to be any such reasons. I am of the opinion, however, and a great deal of testimony was given to bear out this view, that the residential portion of Modesto is spreading to the northwest probably more rapidly than in any other direction, and that if the depot be moved from its present location, it should be moved to the northwest. I consider it entirely impracticable to change the location in the opposite direction, to "H" street, for instance, as is proposed by a certain faction. The southeasterly part of Modesto, in the neigh-

borhood of the railroad tracks, is already the industrial and whole-sale portion of the city, and will undoubtedly, for a number of reasons, continue to develop along such lines. This territory to the southeast of "I" street appears to me the logical location, not for the passenger but for the freight depot.

With the separation and the relocation of the depots will have to go the rearrangement of the track layout. The blocks between streets running northwest and southeast in Modesto are four hundred (400) feet long. A five (5) or six (6) car passenger train (or a longer one) stopping at the station will therefore inevitably block one street. Such a condition is, of course, not only inconvenient and costly to the community, in that it stops all street traffic while the train occupies the crossing, but is also dangerous. It is, therefore, a matter of necessity that a street be closed wherever the depot be located. The closing of "I" street, in my opinion and for reasons stated heretofore, is out of the question. "K" street, eight hundred and eighty (880) feet (two blocks) northwest of "I" street, is now closed, although trains do not now block this crossing, but regularly block "I" street. To locate the passenger depot on "K" street, or still farther northwest, would seriously injure "I" street, a thing that would be unjust and which should not be done. I have come to the conclusion that the passenger depot should be located on the block bounded by "I" and "J" streets, and the Southern Pacific tracks and Ninth street, and midway between "I" and "J" streets, with entrances from both of these streets; and that "J" street should be closed across the tracks of the railroad. "K" street, which is now closed, should be opened. This solution appears to me the best one for a number of reasons: "I" street property will not be injured; "J" street property will undoubtedly gain; the depot will be more readily accessible from the growing residential and business district northwest of "I" street; the block now occupied by the combination depot will be available for the freight depot, if it is agreed to have it there. The freight depot, in that case, might be located close to "H" street, and the portion of the block fronting on "I" street might be parked. The freight facilities, to my mind, would then be in their logical location with reference to the wholesale and industrial section of the city of Modesto, and heavy teaming and trucking would not have to cross the main thoroughfare, "I" street, as will be the case if the freight depot was located northwest of "I" street. In my opinion the passenger depot should occupy the entire block outlined above, the present temporary structures there should be removed, and the space not occupied by the building should be parked. I can not see how the closing of "J" street, which is essential to this plan, will seriously harm any one. The closing of this street and the opening of "K" street will have to be accomplished by a city ordinance, and since

all ordinances in Modesto are subject to the referendum, the ultimate solution lies with the citizens of Modesto.

It appears also that the proposed location of the passenger depot will bring it within the fire limits of the city of Modesto. Unless the city, therefore, desires to compel the railroad company to erect a fire-proof and, consequently, much more costly structure, the company should be relieved from compliance with the city's Ordinance No. 53, N. S. As this depot, if built as proposed, will occupy an entire block, and the danger from fire be practically eliminated, I recommend to the city that such relief be granted.

I find, therefore, as a fact, that the present passenger depot facilities of the defendant in the city of Modesto are inconvenient and inadequate for the passenger traffic handled at that point, and that defendant should erect a passenger depot on its property in the location as outlined heretofore, at a cost to it of not less than fifteen thousand dollars (\$15,000.00); said depot to be either a lath and plaster, or concrete, or concrete hollow tile structure, or of a similar class of construction, and of a design satisfactory to this Commission.

I find further that sixty (60) days will be a reasonable time from the date of this order within which the defendant should submit plans for this depot and secure the approval of the Commission; and that six (6) months will be a reasonable time after the approval of such plans for the construction and completion of such depot.

I recommend to the defendant that in preparing its plans it should design a building of artistic appearance, in keeping with the size and importance and with the probable future needs of the city of Modesto.

I recommend to the city of Modesto that "J" street be closed across the tracks of the Southern Pacific Company, and that "K" street, which is now closed, be opened.

I further recommend that the city of Modesto relieve the defendant from the compliance with Ordinance No. 53, N. S., being an ordinance establishing the fire limits of the city of Modesto.

I further recommend that the city of Modesto and the Southern Pacific Company enter into negotiations with reference to the construction in the most suitable location of a freight depot, which said freight depot is to be a separate and distinct structure from the passenger depot.

I submit herewith the following form of order.

#### ORDER.

Modesto Chamber of Commerce, a corporation, having filed with this Commission its complaint against the Southern Pacific Company, a corporation, in the proceeding entitled as above; and the Southern Pacific Company having filed with this Commission its answer; and a

public hearing having been held and evidence having been presented by the interested parties, and the case having been submitted; and the Commission finding as a fact that defendant's main line depot in the city of Modesto is inconvenient and inadequate for the passenger traffic at that point, and that the Southern Pacific Company should erect on its property on the block bounded by "I" and "J" streets, and the Southern Pacific tracks and Ninth street, midway between "I" and "J" streets, in the city of Modesto, a passenger depot of the cost and type as hereinbefore specified; and basing its order on the findings contained herein and on the opinion preceding this order.

*It is hereby ordered* as follows: the defendant shall, within sixty (60) days from the service on it of this order, present to the Railroad Commission for its approval, plans for a passenger depot to be built on the location hereinbefore described; and shall, within six (6) months after the approval by this Commission of such plans, build on said location a passenger depot of lath and plaster, or of concrete, or of concrete hollow tile, or of a similar class of construction, and of such type and design as shall be approved by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18th day of May, 1914.

DECISION No. 1530.

CALISTOGA ELECTRIC COMPANY

*vs.*

NAPA VALLEY ELECTRIC COMPANY.

Case No. 508.

IN THE MATTER OF THE INVESTIGATION INTO THE RATES  
OF NAPA VALLEY ELECTRIC COMPANY FOR ELECTRIC  
ENERGY.

---

Case No. 538.

*Decided May 21, 1914.*

---

Complainant in Case 508 alleges that the present rates for electrical energy purchased under contract from respondent are unjust and discriminatory, and petitions the Commission to fix a just and reasonable rate for such service; in Case 538 the Commission institutes upon its own initiative an investigation into the general rates of respondent now in effect.

*Held*, As stated in prior decisions, this Commission has the power to adjust existing contract rates if the contract results in discrimination. After thorough investigation, just and reasonable rates are prescribed for all classes of service furnished by respondent including a rate of 3 cents per kilowatt hour to Calistoga Electric Company, said rates to become effective June 1, 1914.

*Raymond Benjamin*, for Calistoga Electric Company,

*Milton T. U'Ren*, for Napa Valley Electric Company.

#### REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

The above entitled proceedings, which were consolidated for hearing and for decision, involve a determination of the rates to be charged by Napa Valley Electric Company for electric energy supplied to all of its customers.

The complaint in Case No. 508 alleges, in effect, that complainant, the Calistoga Electric Company, is engaged in the business of buying and selling electric energy in the town of Calistoga and vicinity, in Napa County; that Calistoga Electric Company receives its electric energy from defendant, Napa Valley Electric Company, at a point on the line of the Southern Pacific Company between St. Helena and Calistoga, known as Bale Station; that Calistoga Electric Company is the successor to the rights of one E. L. Armstrong, under a contract between Armstrong and Napa Valley Electric Company dated May 13, 1911, attached to the complaint and marked "Exhibit A," under which contract the Napa Valley Electric Company agrees to supply electric energy to Armstrong for distribution in Calistoga and adjacent territory, in Napa County, at the rates therein specified; that by reason of these rates being unduly high, Calistoga Electric Company can not supply electric energy to consumers at its existing rates except at a loss to the company; that Napa Valley Electric Company discriminates against Calistoga Electric Company in rates charged for electric energy; and that Calistoga Electric Company is entitled to a reduction in rates under this Commission's Decision No. 289, rendered on October 18, 1912, in Application No. 83, *Snow Mountain Water and Power Company* (Vol. 1, Opinions and Orders of the Railroad Commission of California, p. 784). The complainant asks that fair and reasonable rates be established, and that a refund be ordered of moneys paid by Calistoga Electric Company to Napa Valley Electric Company for electric energy in excess of the rates ordered established by said Decision No. 289.

The defendant, in Case No. 508, in its answer alleges that Calistoga Electric Company is merely distributing agent of Napa Valley Electric Company in the town of Calistoga and vicinity, under the terms of the contract dated May 13, 1911, between Armstrong and Napa Valley Electric Company. The answer denies specifically the material allegations of the complaint.

The Napa Valley Electric Company thereafter filed a supplemental and amended answer, setting up certain difficulties which the parties have had in the matter of a sale of the property of the Calistoga Electric Company, with which this Commission is not concerned in this proceeding. The supplemental and amended answer also sets up the claim that this Commission has no jurisdiction in the premises by reason of the fact that an existing contract has established the rates for electric energy to be supplied by Napa Valley Electric Company to E. L. Armstrong and his assignee, the Calistoga Electric Company. This Commission has several times held that there is no merit in a claim of this kind. (See application of *Murray and Fletcher*, Vol. 2, Opinions and Orders of the Railroad Commission of California, page 464, and *Town of Ukiah vs. Snow Mountain Water and Power Company*, Decision No. 1309, decided on February 27, 1914.)

A question having arisen as to whether the Napa Valley Electric Company had distributed to its patrons the saving in the amount paid by this company to the Snow Mountain Water and Power Company for electric energy, which saving resulted from this Commission's decision in the application of Snow Mountain Water and Power Company, hereinbefore referred to, and as to whether the rates charged by Napa Valley Electric Company are fair and reasonable rates, this Commission, on January 24, 1914, instituted, on its own motion, an investigation into all the rates charged by Napa Valley Electric Company for electric energy, to which investigation Case No. 538 was assigned.

By agreement of all the parties, the hearings in these two proceedings were consolidated. The hearings were held in the city of San Francisco on March 18 and 21, 1914. Certain additional information which was to be supplied by Napa Valley Electric Company has now been furnished, and these cases are now ready for decision.

Napa Valley Electric Company was incorporated on September 10, 1907. It supplies gas within the town of St. Helena and electric energy in the towns of St. Helena, Rutherford, Oakville and Yountville, all in Napa County, and also to Calistoga Electric Company for distribution in the town of Calistoga and certain territory adjacent thereto. The company's gas plant and electrical substation are both located on the same parcel of land in the town of St. Helena. The company secures all its electric energy from the Snow Mountain Water and Power Company, the point of delivery being on said parcel of land. The electric energy there received from Snow Mountain Water and Power Company is transformed from 55,000 volts to 2,300 volts for local distribution and 6,600 volts for rural distribution. The local electric system consists of overhead lines supplying residential lighting and municipal series street lighting. There are two rural lines, the one running north and the other south from St. Helena. The north line was constructed by Napa Valley Electric Company in 1911, to supply the Calistoga Electric Company, and extends some four miles to Bale Station, at which point

delivery is made to Calistoga Electric Company. The line running south from St. Helena to Oak Knoll was constructed and is owned by Snow Mountain Water and Power Company, who have leased the line to Napa Valley Electric Company.

I shall now proceed under the following heads:

- (1) Value of Property;
- (2) Rate of Return;
- (3) Depreciation;
- (4) Operating and Maintenance Expenses;
- (5) The Rate.

**1. Value of Property.**

This Commission's gas and electrical rate department prepared a detailed inventory of all the property of the Napa Valley Electric Company and submitted its estimate of the cost of reproducing this property new, and also of the depreciated reproduction value. The inventory was accepted as correct by the Napa Valley Electric Company, as were also the department's estimates of reproduction value new and of depreciated reproduction value, with the exception of a few items. The department's estimate did not include an item for franchises, as to which the department had been unable to ascertain the expenditures. Also, there was no item allowed for time and labor in acquiring rights of way. Allowances for both of these items will be made in the tables which follow. The Napa Valley Electric Company also objected because the cost of the line of the Snow Mountain Water and Power Company from St. Helena to Oak Knoll had not been included in the inventory of the Napa Valley Company's property. It appears that this line is owned by the Snow Mountain Water and Power Company and is operated under lease by the Napa Valley Electric Company. This line was considered by this Commission in the application of the Snow Mountain Water and Power Company, hereinbefore referred to, as a part of that company's property on which it is entitled to a return. Consequently, it would not be fair to consider it also as a part of the property of the Napa Valley Electric Company in establishing the rates of that company. Allowance, however, will be made herein for all sums paid by Napa Valley Electric Company as rent of this line, and also for all expenses incurred by that company in connection with the operation and maintenance thereof for its business.

The following table shows the different items of the Napa Valley Electric Company's operative electric property, the basis of segregation of these items where a segregation is necessary, the estimated reproduction value new, the estimated depreciated reproduction value, the pro rata of the estimated reproduction value new assignable to street lighting, the pro rata on the same basis of reproduction new assignable to the service to the Calistoga Electric Company and the pro rata on the same basis assignable to the Napa Valley Company's other consumers:

TABLE No. I.  
Segregation of Electric Capital.

No.	Item	Basis of segregation	Estimated reproduction value new	Estimated depreciated reproduction value	Street lighting pro rata	Calistoga company pro rata	Other consumers pro rata
1	Real estate	Demand	\$1,900 00	\$1,900 00	\$32 90	\$282 96	\$1,584 14
2	Franchises	Other charges	305 00	262 30	4 59	39 53	260 86
3	Rights of way	Use and demand	476 00	476 00		366 24	109 76
4	Poles and fixtures	Demand and consumers <sup>1</sup>	13,765 89	11,559 54	883 77	1,000 85	11,221 27
5	Overhead system	Demand and consumers	8,779 55	7,653 10	886 14	994 99	6,898 42
6	Substation building	Direct and demand	1,375 00	962 50	206 25	179 93	988 82
7	Substation equipment	Direct and demand <sup>2</sup>	6,229 81	4,653 76	477 25	886 74	4,965 82
8	Line transformers, etc.	Demand of secondary consumers	4,318 96	3,640 56		189 78	4,129 18
9	Electric services	Consumers	2,008 64	1,524 62			2,008 64
10	Electric motors	Consumers	7,281 28	5,419 88		27 65	7,253 63
11	Municipal street lights	Direct segregation	1,154 63	833 42	1,154 63		
12	Furniture and fixtures	Consumers	374 33	269 59		79	372 85
13	Vehicles, etc.	Consumers	1,909 69	983 29	4 15	4 15	1,961 39
14	Tools and appliances	Investment and demand	165 65	91 11	15 05	23 20	127 40
15	Testing instruments	Consumers	138 16	124 34		29	137 50
16	Materials and supplies	Investment and demand	1,054 29	1,054 29	95 83	122 60	835 86
Totals			\$51,386 98	\$31,728 30	\$3,761 64	\$4,779 70	\$42,855 64

<sup>1</sup>Calistoga line prorated between Calistoga and other consumers on basis of lighting and power connected load corrected for respective diversities.

<sup>2</sup>Substation transformers prorated to street lighting on demand basis; poles and fixtures and overhead system on use basis.



It appears from Table No. I that the estimated reproduction value new of the total operative physical property used in connection with the Napa Valley Company's electrical business is \$51,396.98, that the estimated depreciated reproduction value of this property is \$41,728.30, that the estimated reproduction value new of the property assignable to the street lighting business is \$3,761.64, and that the estimated reproduction value new of the property assignable to the service to the Calistoga Electric Company is \$4,779.70.

Certain evidence was presented at the hearing with reference to the cost of developing the business, but the evidence is so unsatisfactory that it is impossible to make a finding on this point. In order to be absolutely fair to the Napa Valley Electric Company, I shall take the estimated reproduction value new of the physical properties as representing the basis on which a return shall be allowed in this case. While this amount is somewhat in excess of the amount which may hereafter be determined to be the proper basis, I think it wiser to err on the side of liberality. It is better to be a little too liberal now than to cut too deeply. This decision will not, of course, commit this Commission to the reproduction value new theory, which frequently produces unjust and unreasonable results.

#### 2. Rate of Return.

The business of the Napa Valley Electric Company is relatively small and no very large increase in business can be looked for. In view of the liberal basis of return which has heretofore been established, I find that it would be reasonable to allow a rate of return amounting to 8 per cent on the basis so ascertained.

#### 3. Depreciation.

The following table shows the estimated reproduction value new, the estimated salvage value, the net depreciable value and the total depreciation annuity on each item of property devoted to the electric business, as well as the depreciation annuity, separately, on the property devoted to the street lighting business and to the service of the Calistoga Electric Company:

TABLE No. II.  
Depreciation Table.

No.	Item	Estimated reproduction value new	Estimated salvage value	Net depreciable value	Total depreciation annuity	Depreciation street lighting	Depreciation electric company	Depreciation telephone consumers
1	Real estate	\$1,900 00		\$305 09	\$1 59	\$0 07	\$0 59	\$3 93
2	Franchises	305 00		476 00	14 39		11 08	3 31
3	Rights of way	476 00		12,939 94	564 70	40 95	76 96	446 79
4	Poles and fixtures	13,765 89	\$825 95	5,706 71	172 57	13 34	14 97	144 26
5	Overhead system	8,779 55	3,072 84	1,361 25	28 52	4 32	3 77	20 43
6	Substation buildings	1,375 00	13 75	5,696 83	119 35	10 00	18 58	90 77
7	Substation equipment	6,329 81	632 98	3,887 07	117 54		5 74	111 80
8	Line transformers, etc.	4,318 96	431 89	1,406 05	65 16			65 16
9	Electric services	2,008 64	602 59	7,208 47	304 70		1 17	303 53
10	Electric meters	7,281 28	72 81	1,096 90	50 83	50 83		
11	Municipal street lights	1,154 63	57 73	336 99	15 62		04	15 54
12	Furniture and fixtures	374 43	37 44	1,772 73	320 86	75	75	319 36
13	Vehicles, etc.	1,969 69	196 96	1,772 73	26 98	2 72	4 20	20 06
14	Tools and appliances	165 65	16 57	110 53	8 79	03		8 73
15	Testing instruments	138 16	27 63					
16	Materials and supplies	1,054 29						
	Totals	\$51,396 98	\$5,989 14	\$42,433 55	\$1,814 60	\$123 05	\$137 88	\$1,553 67

**4. Operating Expenses and Maintenance.**

The following table shows the operating expenses, exclusive of purchased energy and taxes, of the Napa Valley Electric Company for the year 1913, segregated as between the gas business, the electrical business, the appliance business, street lighting and the service to the Calistoga Electric Company:

TABLE No. III.  
Segregation of Operating Expense.  
(Exclusive of purchased energy and taxes.)

No.	Account	Basis of segregation	Total	Gas business	Appliance business	Electric business	Street lighting pro rata	Callistoga pro rata	Other consumers pro rata
1	Distribution lines -----	Demand and con- sumers -----	\$828 34			\$828 34	\$75 30	\$96 34	\$656 70
2	Substation expense -----	Demand -----	3 49			3 49	08	69	2 72
3	Municipal lighting -----	Direct expense -----	26 26			26 26	26 26		
4	Commercial department -----	Consumers -----	353 96			198 95	40	40	198 15
5	Collection expense -----	Consumers -----	105 96	\$71 05	\$83 96	78 09	16	16	77 77
6	General officers' salaries -----	Expense and revenue -----	3,600 00	27 89		2,825 17	24 57	185 77	2,614 83
7	Miscellaneous general ex- pense -----	Consumers -----	1,111 72	771 83		621 86	1 31	1 31	622 24
8	Railroad Commission ex- pense -----	Direct expense -----	12 50	223 16	263 70		09	72	11 69
9	Injuries and damage -----	Direct expense -----	59 04			12 50	52	3 95	54 57
10	Fire insurance -----	Demand -----	121 89	39 00		59 04	1 44	12 34	69 11
11	Liability insurance -----	Direct expense -----	509 11	47 25		82 89	4 00	30 19	427 67
12	Automobile expense -----	10 per cent to gas - demand and con- sumers -----				461 86			
13	Extraordinary repairs -----	Demand -----	676 69	67 67		609 02	3 59	23 54	581 89
14	Corporation tax -----	Revenue-direct -----	114 87			114 87	1 97	16 93	95 97
15	Rent of poles -----	Demand -----	50 00	4 95	13 52	31 53	29	1 45	29 79
16	Office rent -----	Consumers -----	22 00			22 00	37	3 17	18 46
			116 50	23 39	27 63	65 48	14	14	65 20
	Totals -----		\$7,712 35	\$1,279 19	\$388 81	\$6,041 35	\$140 49	\$377 10	\$5,526 76

It will be observed that of the total operating expenses chargeable in whole or in part to this company's electric business, not including the price of current purchased and taxes, amounting to \$7,712.35, the sum of \$1,279.19 is chargeable to the gas business. On the same basis, the operating expenses chargeable to the street lighting business amount to \$140.49, and those chargeable to the service to the Calistoga Company amount to \$377.10.

Before leaving the item of operating expenses, I desire to draw attention to the item of general officers' salaries. The salaries which were paid to general officers during the years 1913 and 1914 appear in the following table:

TABLE No. IV.

	1913		1914	
	Monthly	Annually	Monthly	Annually
President -----	\$50 00	\$600 00	\$100 00	\$1,200 00
Vice-president -----	2 50	30 00	20 00	240 00
Secretary -----	2 50	30 00	95 00	1,140 00
General manager -----	100 + %	1,846 13	150 00	1,800 00
Treasurer -----	2 50	30 00	20 00	240 00
Director -----	2 50	30 00	20 00	240 00
Totals -----	\$180 00	\$2,566 13	\$405 00	\$4,860 00

It will be noted from the foregoing table that the salary of the president was increased 100 per cent, that of three directors 700 per cent and that of the secretary 3,700 per cent. I find from the evidence in this proceeding that the increase in the president's salary is justified, but that the allowance for directors should not exceed the amount of \$120.00 annually, based on one meeting per month, and that the allowance for the secretary, based on his actual services to the company, should not exceed the amount of \$240.00 annually. On this basis, the allowance for salaries of general officers amounts to \$3,600.00 annually, which amount I consider to be liberal.

In making the segregation of operating expenses between the gas and electrical business, we have concluded that it would be unfair to make the segregation on the basis of the number of consumers and that it would be equally improper to make the segregation on the basis of the amount of money invested in these respective classes of utility service. It would appear that the gas business is relatively unprofitable, and it is clear that if the Napa Valley Electric Company should go out of the gas business and should confine itself to the electric business, the operating expenses chargeable to that business would be materially greater than is now the case. As the electrical business is the chief portion of the company's business, and as the gas business plays a rela-

tively subsidiary part, the Commission is of the opinion that it would be unfair to load operating expenses on to the gas business further than the foregoing facts justify.

#### 5. The Rate.

The classes of electrical service performed by the Napa Valley Electric Company include both residential and commercial lighting, municipal lighting, industrial power, agricultural power, the service to the Veterans' Home, and the service to the Calistoga Electric Company. It will now be necessary to ascertain a fair and reasonable rate to be charged for each of these classes of service.

The rates at present charged by Napa Valley Electric Company for electric service are as follows:

**TABLE No. V.**  
**Electric Current for Light.**

Minimum Bill, \$1.00 per month.

20 kilowatt hours or under	\$.00 per kilowatt hour
100 kilowatt hours or under, if over 20	.085 per kilowatt hour
200 kilowatt hours or under, if over 100	.08 per kilowatt hour
250 kilowatt hours or under, if over 200	.075 per kilowatt hour
300 kilowatt hours or under, if over 250	.07 per kilowatt hour
350 kilowatt hours or under, if over 300	.065 per kilowatt hour

#### Electric Current for Power.

Minimum Bill, \$1.00 per month.

600 kilowatt hours or under	.05 per kilowatt hour
700 kilowatt hours or under, if over 600	.04½ per kilowatt hour
800 kilowatt hours or under, if over 700	.04¼ per kilowatt hour
900 kilowatt hours or under, if over 800	.04 per kilowatt hour
1,000 kilowatt hours or under, if over 900	.03¾ per kilowatt hour
2,000 kilowatt hours or under, if over 1,000	.03 per kilowatt hour
3,000 kilowatt hours or under, if over 2,000	.02½ per kilowatt hour
Over 3,000 kilowatt hours	.02¼ per kilowatt hour

#### Electric Current for Cooking.

Minimum Bill, \$3.00 per month.

Rate	.04 per kilowatt hour
------	-----------------------

#### Electric Current for Irrigation.

Minimum Bill, \$1.00 per month.

Rate	.02½ per kilowatt hour
Calistoga Electric Light Company	.0425 per kilowatt hour
Town of St. Helena street lighting systems	.06 per kilowatt hour
Veteran's Home	.025 per kilowatt hour

The following table shows the cost of service for the Napa Valley Company's electric customers other than municipal street lighting and Calistoga Electric Company:

**TABLE No. VI.****Cost of Service.**

Average for all consumers except municipal street lighting and Calistoga Electric Company.

Investment .....	\$42,855 64
Interest at 8 per cent.....	\$3,428 45
Depreciation annuity .....	1,553 67
Operating expense .....	5,526 76
Purchased energy (1.1¢ per kilowatt hour, 35.31 per cent average losses) 1913 basis.....	4,191 47
Taxes (4.6 per cent on grand revenue).....	712 12
Total cost .....	\$15,412 47
Average cost per kilowatt hour (1913 basis).....	\$0.05331

The following table shows the cost of service for the municipal street lighting service in St. Helena:

**TABLE No. VII.****Cost of Street Lighting Service in St. Helena.**

Investment .....	\$3,761 64
Interest at 8 per cent.....	\$300 93
Depreciation annuity .....	123 05
Operating expense .....	140 49
Purchased energy (1.1¢ per kilowatt hour, 14.82 per cent losses).....	206 60
Taxes (4.6 per cent on grand revenue).....	37 18
Total cost .....	\$808 25
Total cost per kilowatt hour.....	\$0.05052

The following table shows the cost of the service rendered to the Calistoga Electric Company:

**TABLE No. VIII.****Cost of Calistoga Service.**

Investment .....	\$4,779 70
Interest at 8 per cent.....	\$382 39
Depreciation annuity .....	137 88
Operating expense .....	377 10
Purchased energy (1.1¢ per kilowatt hour, 14.82 per cent losses).....	694 72
Taxes (4.6 per cent on grand revenue).....	76 77
Total cost .....	\$1,668 86
Total cost per kilowatt hour (1913 basis).....	\$0.03102

From a careful consideration of all the evidence in this case, I find that the rates shown in the following table are fair and reasonable rates for the different classes of electric service performed by the Napa Valley Electric Company and that they should be established by said company:

**TABLE No. IX.****Schedule "A." General Lighting.**

Applicable to all consumers of electric energy for lighting and domestic purposes. Energy deliverable at the voltage of the company's secondary distribution line.

9c per kilowatt hour for first 20 kilowatt hours per month per meter.

5c per kilowatt hour for next 500 kilowatt hours per month per meter.

Minimum charge: \$1.00 per meter per month.

**Schedule "B." General Industrial Power.**

Applicable to all consumers of electric energy for power purposes where the installation is one horsepower or over. Energy deliverable at the voltage of the company's secondary distribution lines.

First 60 kilowatt hours per horsepower per month—

1 horsepower and less than 5 horsepower..... 5c per kilowatt hour

5 horsepower and less than 15 horsepower..... 4½c per kilowatt hour

15 horsepower and less than 35 horsepower..... 4c per kilowatt hour

35 horsepower and over..... 3½c per kilowatt hour

Next 90 kilowatt hours per horsepower per month..... 2½c per kilowatt hour

Next 150 kilowatt hours per horsepower per month..... 2c per kilowatt hour

Over 300 kilowatt hours per horsepower per month..... 1½c per kilowatt hour

Minimum charge: \$1.00 per horsepower per month for first 5 horsepower.

.70 per horsepower per month for all over 5 horsepower.

**Schedule "C." Primary Industrial Power.**

Applicable to all consumers of electric energy for power purposes where the installation is one horsepower or over. Energy deliverable at the voltage of the company's primary distribution lines.

First 60 kilowatt hours per horsepower per month—

1 horsepower and less than 5 horsepower..... 4½c per kilowatt hour

5 horsepower and less than 15 horsepower..... 4c per kilowatt hour

15 horsepower and less than 35 horsepower..... 3½c per kilowatt hour

35 horsepower and over..... 3c per kilowatt hour

Next 90 kilowatt hours per horsepower per month..... 2c per kilowatt hour

Next 150 kilowatt hours per horsepower per month..... 1½c per kilowatt hour

Over 300 kilowatt hours per horsepower per month..... 1½c per kilowatt hour

Minimum charge: 80c per horsepower per month for first 5 horsepower.

60c per horsepower per month for all over 5 horsepower.

**Schedule "D." General Seasonal Power.**

Applicable to all consumers of electric energy for power purposes where the use is seasonal and where the installation is one horsepower or over. Energy deliverable at the voltage of the company's secondary distribution lines.

First 60 kilowatt hours per horsepower per month—

1 horsepower and less than 5 horsepower..... 5c per kilowatt hour

5 horsepower and less than 15 horsepower..... 4½c per kilowatt hour

15 horsepower and less than 35 horsepower..... 4c per kilowatt hour

35 horsepower and over..... 3½c per kilowatt hour

Next 90 kilowatt hours per horsepower per month..... 2½c per kilowatt hour

Next 150 kilowatt hours per horsepower per month..... 2c per kilowatt hour

Over 300 kilowatt hours per horsepower per month..... 1½c per kilowatt hour

Minimum charge: \$10.00 per horsepower per year for first 5 horsepower.

7.00 per horsepower per year for all over 5 horsepower.



**Schedule "E." Primary Seasonal Power.**

Applicable to all consumers of electric energy for power purposes where the use is seasonable and where the installation is one horsepower or over. Energy deliverable at the voltage of the company's primary distribution lines.

First 60 kilowatt hours per horsepower per month—

1 horsepower and less than 5 horsepower-----	4½¢ per kilowatt hour
5 horsepower and less than 15 horsepower-----	4¢ per kilowatt hour
15 horsepower and less than 35 horsepower-----	3½¢ per kilowatt hour
35 horsepower and over-----	3¢ per kilowatt hour
Next 90 kilowatt hours per month-----	2¢ per kilowatt hour
Next 150 kilowatt hours per month-----	1½¢ per kilowatt hour
Over 300 kilowatt hours per month-----	1¼¢ per kilowatt hour

Minimum charge: \$9.00 per horsepower per year for the first 5 horsepower.

6.00 per horsepower per year for all over 5 horsepower.

**Schedule "F."**

Municipal street lighting ----- 5¢ per kilowatt hour

**Schedule "G."**

Calistoga Electric Company ----- 3¢ per kilowatt hour

Before concluding, I desire to comment on a few of the rates shown in the foregoing table. The top rate for general electric lighting remains as before, viz, 9 cents per kilowatt hour for the first 20 kilowatt hours per month per meter, but a reduction is made in electric energy consumed in excess of 20 kilowatt hours per month per meter.

While the general rate for agricultural power service remains about as before, an increase is made in the minimum charge. This minimum has been \$1.00 per meter per month, entirely irrespective of the installation, and it is clear that this rate has been below the cost of service. A minimum is accordingly established on the basis of the horsepower of installation, in accordance with the usual practice. The rate for municipal street lighting is reduced from 6 cents to 5 cents per kilowatt hour. While the cost per kilowatt hour, according to Table No. VII, is \$.05052, the slight increase in business which may be expected during the ensuing year justifies the flat rate of 5 cents per kilowatt hour. The same reason accounts for the establishment of the price of 3 cents per kilowatt hour for the service to the Calistoga Electric Company. If the Napa Valley Electric Company and the Calistoga Electric Company can agree on a rate different from that herein established for this service, including a minimum, on such basis that the result over a series of years will be practically the same as that herein contemplated, the parties may make joint application to this Commission for authority to establish a rate on a basis different from that herein established. The rate now in effect for the Veterans' Home appears to be below the cost of service. As this institution is a state institution, the Napa Valley Electric Company has the right to give to this institution such concessions as it desires to establish, but it does not have the right to charge against its other consumers such loss as may result from its generosity to the State. Accordingly, the rates herein established for other consumers are based on the cost of service to them and do not cover such

loss as may occur in the service to the Veterans' Home. If the Napa Valley Electric Company desires to serve this customer at less than the cost of service, it must do so at its own expense.

The following table shows the revenue required by Napa Valley Electric Company from its electric service on the bases hereinbefore indicated, and the estimated revenue from the rates herein established, for the year 1914. The estimated revenue is based on general lighting consumption for the month of March, 1914, and for the consumption for other classes of business during the year 1913, with the addition of the added revenue to be secured from the establishment of the agricultural power minimum hereinbefore referred to:

**TABLE No. X.**  
**Effect of Proposed Rates.**

<i>Required Revenue.</i>	
Interest at 8 per cent.....	\$4,111 76
Depreciation annuity .....	1,814 60
Operating expenses .....	6,044 35
Purchased energy (1913).....	5,092 79
Taxes (4.6 per cent on grand revenue).....	822 76
<b>Total .....</b>	<b>\$17,886 26</b>
<i>Estimated Revenue.</i>	
General lighting (March, 1914).....	\$9,431 29
Municipal lighting, etc. (1913).....	1,456 85
Industrial power (1913).....	1,281 53
Agricultural power (1913).....	1,292 82
Excess due to power minimum.....	846 00
Veterans' Home (1913).....	2,352 10
Calistoga (1913) .....	1,668 86
<b>Total .....</b>	<b>\$18,329 45</b>

I submit herewith the following form of order:

**ORDER.**

Public hearings having been held in the above entitled proceedings, and the same having been submitted and being now ready for decision, the Commission hereby finds as a fact that the existing rates of the Napa Valley Electric Company for electric service are unjust and unreasonable in so far as they differ from the rates herein established, and also finds as a fact that the rates herein established are fair and reasonable rates for the electric service of the Napa Valley Electric Company.

Basing its order on the foregoing findings of fact and on the other findings which are contained in the opinion which precedes this order, the Railroad Commission hereby orders Napa Valley Electric Company

to establish and to file with this Commission the following rates for its electric service:

**Schedule "A." General Lighting.**

Applicable to all consumers of electric energy for lighting and domestic purposes. Energy deliverable at the voltage of the company's secondary distribution lines.

9¢ per kilowatt hour for first 20 kilowatt hours per month per meter.

5¢ per kilowatt hour for next 500 kilowatt hours per month per meter.

Minimum charge: \$1.00 per meter per month.

**Schedule "B." General Industrial Power.**

Applicable to all consumers of electric energy for power purposes where the installation is one horsepower or over. Energy deliverable at the voltage of the company's secondary distribution lines.

First 60 kilowatt hours per horsepower per month—

1 horsepower and less than 5 horsepower-----	5¢ per kilowatt hour
5 horsepower and less than 15 horsepower-----	4½¢ per kilowatt hour
15 horsepower and less than 35 horsepower-----	4¢ per kilowatt hour
35 horsepower and over-----	3½¢ per kilowatt hour

Next 90 kilowatt hours per horsepower per month----- 2½¢ per kilowatt hour

Next 150 kilowatt hours per horsepower per month----- 2¢ per kilowatt hour

Over 300 kilowatt hours per horsepower per month----- 1½¢ per kilowatt hour

Minimum charge: \$1.00 per horsepower per month for first 5 horsepower.

.70 per horsepower per month for all over 5 horsepower.

**Schedule "C." Primary Industrial Power.**

Applicable to all consumers of electric energy for power purposes where the installation is one horsepower or over. Energy deliverable at the voltage of the company's primary distribution lines.

First 60 kilowatt hours per horsepower per month—

1 horsepower and less than 5 horsepower-----	4½¢ per kilowatt hour
5 horsepower and less than 15 horsepower-----	4¢ per kilowatt hour
15 horsepower and less than 35 horsepower-----	3½¢ per kilowatt hour
35 horsepower and over-----	3¢ per kilowatt hour

Next 90 kilowatt hours per horsepower per month----- 2¢ per kilowatt hour

Next 150 kilowatt hours per horsepower per month----- 1½¢ per kilowatt hour

Over 300 kilowatt hours per horsepower per month----- 1¢ per kilowatt hour

Minimum charge: 80¢ per horsepower per month for first 5 horsepower.

60¢ per horsepower per month for all over 5 horsepower.

**Schedule "D." General Seasonal Power.**

Applicable to all consumers of electric energy for power purposes where the use is seasonal and where the installation is one horsepower or over. Energy deliverable at the voltage of the company's secondary distribution lines.

First 60 kilowatt hours per horsepower per month—

1 horsepower and less than 5 horsepower-----	5¢ per kilowatt hour
5 horsepower and less than 15 horsepower-----	4½¢ per kilowatt hour
15 horsepower and less than 35 horsepower-----	4¢ per kilowatt hour
35 horsepower and over-----	3½¢ per kilowatt hour

Next 90 kilowatt hours per horsepower per month----- 2½¢ per kilowatt hour

Next 150 kilowatt hours per horsepower per month----- 2¢ per kilowatt hour

Over 300 kilowatt hours per horsepower per month----- 1½¢ per kilowatt hour

Minimum charge: \$10.00 per horsepower per year for first 5 horsepower.

7.00 per horsepower per year for all over 5 horsepower.

**Schedule "E." Primary Seasonal Power.**

Applicable to all consumers of electric energy for power purposes where the use is seasonal and where the installation is one horsepower or over. Energy deliverable at the voltage of the company's primary distribution lines.

First 60 kilowatt hours per horsepower per month—

1 horsepower and less than 5 horsepower.....	4½¢ per kilowatt hour
5 horsepower and less than 15 horsepower.....	4¢ per kilowatt hour
15 horsepower and less than 35 horsepower.....	3½¢ per kilowatt hour
35 horsepower and over.....	3¢ per kilowatt hour
Next 90 kilowatt hours per horsepower per month.....	2¢ per kilowatt hour
Next 150 kilowatt hours per horsepower per month.....	1½¢ per kilowatt hour
Over 300 kilowatt hours per horsepower per month.....	1¼¢ per kilowatt hour
Minimum charge: \$9.00 per horsepower per year for the first 5 horsepower.	
6.00 per horsepower per year for all over 5 horsepower.	

**Schedule "F."**

Municipal street lighting ..... 5¢ per kilowatt hour

**Schedule "G."**

Calistoga Electric Company ..... 3¢ per kilowatt hour

The rates herein established shall become effective on June first, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 21st day of May, 1914.

---

**DECISION No. 1531.**

**ROY A. PRATT ET AL.**

*vs.*

**SPRING VALLEY WATER COMPANY.**

---

Case No. 545.

*Decided May 21, 1914.*

Complainants allege that the supply of water furnished by defendant company in the district west of Twenty-third avenue in the city and county of San Francisco is insufficient and inadequate, and asks the Commission to direct the defendant company to install larger mains in order to supply more water. The defendant company questions the jurisdiction of the Commission to grant the relief prayed.

*Held.* By section 23, article XII of the state constitution the city and county of San Francisco retains the "powers of control over any public utility vested" in the city on March 23, 1912.

*Held.* After a review of the constitutional provisions and authorities, that the delegation by the State to municipalities of general power to enact police regulations, or to enact ordinances for the general welfare, does not confer upon the municipality the power to regulate rates or service, or in any other way to regulate the relationship between a utility and its customers and patrons as distinguished from the city and its inhabitants in general.

*Held*, Subsection 14, section 1, chapter 2, article II of the charter of the city and county of San Francisco, giving to the municipality the power "to prescribe the quality of the service" of water supplied within the municipality vests in the municipality jurisdiction to grant the relief sought in this proceeding.

*Held*, The Commission has no jurisdiction to grant the relief prayed, and application is dismissed.

*George C. Thrasher*, for Complainants.

*McCutchen, Olney & Willard and Warren Olney, Jr.*, for Defendant.

*Robert M. Searles*, assistant city attorney, for City and County of San Francisco.

#### REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is a proceeding to compel the Spring Valley Water Company to enlarge its water mains so as to give adequate service to a portion of the city of San Francisco.

The complaint alleges in part that complainants are residents of the westerly portion of the Richmond District in San Francisco; that the sole source of water supply for said section is owned and operated by Spring Valley Water Company; that Spring Valley Water Company has refused to supply complainants with an adequate supply of water; that while the water supply in the homes of all the complainants is distressingly inadequate, some of the complainants have no water at all during certain hours of the day and must store water in tanks each night for use on the succeeding day; that the cause of the inadequacy of the water supply is the insufficient size of the mains and pipes used by Spring Valley Water Company to supply that part of the Richmond District which lies west of Twenty-third avenue; that while the territory east of Twenty-third avenue is supplied through a 16-inch main, the section from Twenty-third avenue west to the ocean beach is served from an 8-inch main laid in Geary street; and that the water company's revenue from this section is estimated at \$20,000.00 annually. The complainants pray that this Commission direct the water company to install larger water mains and pipes or take such other measures as will afford relief.

The answer, while not denying the material allegations of the complaint, sets up several reasons why this Commission should not proceed in the premises, including particularly the defense that this Commission is without jurisdiction to entertain this proceeding. The issue of jurisdiction is the material issue which must now be decided.

The hearing in this proceeding was held in San Francisco on May 2, 1914. The city attorney of San Francisco appeared by Robert M. Searles, assistant city attorney, presented a resolution of the board of supervisors requesting this Commission to assume jurisdiction, and made an argument in advocacy of this Commission's jurisdiction. The water

company took the position, in reply, that whatever power there is in any public authority to give the relief requested, vests in the board of supervisors of the city and county of San Francisco and not in this Commission.

Before examining the issue of jurisdiction, I desire, first, to draw attention to the specific relief here requested. This is not a case of compelling a water company to extend its mains. Nor is it a case of compelling such company to install a service connection from an existing main to a new customer whose property abuts on the main. No question of serving new customers is involved in this proceeding. It is simply a question of giving more adequate service to existing customers by increasing the size of existing mains. By bearing this fact clearly in mind, the solution of the problem of jurisdiction becomes less difficult.

The source of this Commission's powers is found principally in section 23 of article XII of the constitution of California, as amended on October 10, 1911, and in such statutes as the legislature may, from time to time, enact thereunder. This section, after referring to the corporations, associations and persons which now are or may hereafter be declared by the legislature to be public utilities, confers on the Railroad Commission the right to exercise such power and jurisdiction to supervise and regulate public utilities as the legislature may, from time to time, confer upon the Commission. The section then continues in part as follows:

“From and after the passage by the legislature of laws conferring powers upon the railroad commission respecting public utilities, all powers respecting such public utilities vested in boards of supervisors, or municipal councils, or other governing bodies of the several counties, cities and counties, cities and towns, in this state, or in any commission created by law and existing at the time of the passage of such laws, shall cease so far as such powers shall conflict with the powers so conferred upon the railroad commission.”

Then follows this important proviso:

“Provided, however, that this section shall not affect such powers of control over any public utility vested in any city and county, or incorporated city or town as, at an election to be held pursuant to laws to be passed hereafter by the legislature, a majority of the qualified electors voting thereon of such city and county, or incorporated city or town, shall vote to retain, and until such election such powers shall continue unimpaired.”

The Public Utilities Act became effective on March 23, 1912. All parties agree that this Commission's jurisdiction in this proceeding depends on whether the power to give the relief requested as against the Spring Valley Water Company was vested in the city and county of San Francisco on March 23, 1912. If it was so vested, this Commission has no jurisdiction; if it was not so vested, this Commission has power

to proceed and to give such relief as the evidence, when presented, may warrant.

It accordingly becomes necessary to consider whether power in the premises was vested in the city and county of San Francisco on March 23, 1912. That the Spring Valley Water Company has operated in San Francisco for many years prior to March 23, 1912, and was so operating on said date is not disputed.

In order to ascertain the powers of the city and county of San Francisco over public utilities on March 23, 1912, we must look to the constitution, the statutes and particularly San Francisco's freeholders' charter.

The constitutional provisions delegating to municipalities powers over public utilities are as follows:

- (a) Section 11 of article XI.
- (b) Section 19 of article XI.
- (c) Section 1 of article XIV.

I shall now consider these sections seriatim.

Section 11 of article XI reads as follows:

"Any county, city, town or township may make and enforce within its limits all such local, police, sanitary and other regulations as are not in conflict with general laws."

While it has been clear, ever since the decision of the Supreme Court of the United States in the famous case of *Munn vs. Illinois*, 94 U.S. 113, that the power of the State to regulate and supervise public utilities is based on the State's police power, it seems equally clear, under the authorities, that the grant by the State to a municipality of general power to enact police regulations does not confer power to supervise and regulate the relationship between a utility and its patrons. The exercise by the State of its police power is one thing. The delegation to municipalities of general power to enact "police regulations" is an entirely different thing.

In the absence of delegation of power by the State, a municipality has no power to supervise and regulate the rates, service or other relations between a public utility and its patrons.

*Cumberland Telephone and Telegraph Company vs. City of Memphis*, 200 Fed. 657, 658;

*Minneapolis General Electric Company vs. City of Minneapolis*, 194 Fed. 215;

*Mills vs. City of Chicago*, 127 Fed. 731, 733;

*City of Richmond vs. Richmond Natural Gas Company*, 168 Ind. 82, 79 N. E. 1031, 1033;

*Louisville Natural Gas Company vs. State ex rel. Reynolds*, 135 Ind. 49, 34 N. E. 702, 21 L. R. A. 734;

*State ex rel. Marshall, attorney for Public Utilities Commission, vs. Wyandotte County Gas Company*, 88 Kans. 165, 127 Pac. 642;  
*Helena Light and Railway Company vs. City of Helena*, 130 Pac. 446, 448 (Mont.);  
*Ball vs. Texarkana Water Corporation*, 127 S. W. 1070 (Texas);  
*State ex rel. Webster vs. Superior Court*, 67 Wash. 37, 120 Pac. 861, 863;  
*City of St. Mary's vs. Hope Natural Gas Company*, 76 S. E. 841, 842 (W. Va.).

Proceeding a step further, the decided cases conclusively show that if the State delegates to a municipality the general power to make and enforce police regulations, the municipality is thereby granted no power to supervise or regulate the relation between a public utility and its customers. While the power of a municipality to enact "police regulations," undoubtedly gives to the municipality certain powers over public utilities, these powers are conferred because public utilities, by running cars on the public streets or erecting poles thereon or laying pipes therein, or by some similar act, come into such relationship with the city and its inhabitants as distinguished from the relationship between the utility and its patrons and customers, that the public health, safety, morals or welfare require the exercise by the municipality of the power to make what are ordinarily called police regulations. Thus, a municipality clearly has the right, under the power to enact "police regulations," to act on utilities in such matters as to limit the territory within which a gas plant may be erected, *Dobbins vs. City of Los Angeles*, 139 Cal. 179; to enact an ordinance limiting the speed of street railroad cars within the city limits, *Simoneau vs. Pacific Electric Railway Company*, 136 Pac. 544; or to direct a water company to cease maintaining an open water ditch in a public street, *City of Santa Ana vs. Santa Ana Valley Irrigation Company*, 163 Cal. 211.

These matters, however, involving the relationship between a utility and a city or the inhabitants thereof as a whole are fundamentally different from the regulation of the relationship between a utility and its patrons or customers. As was said by the Federal Court of Appeals of the Sixth Circuit in *Cumberland Telephone and Telegraph Company vs. City of Memphis*, 200 Fed. 657, 660:

"To regulate and control the use of the streets by telephone companies is a natural incident of municipal government (although here expressly granted, see *City of Memphis vs. Postal Co.*, 145 Fed. 602, 76 C. C. A. 292), and this control involves the right to bargain for such use before the right is granted (as it has been here expressly granted); but these things pertain to relations between the city and the company. They do not touch the contract relations between the company and its patrons."



Again, as was said by Judge Grosscup in *Mills vs. Chicago*, 127 Fed. 731, 734:

"The mere laying of a gas pipe, and the installation of gas plants, together with their repair, are the subject-matter of a power widely separable in circumstance and in substance, from power to deal with the rates at which gas shall be manufactured and sold. The first belongs naturally to the city whose streets are to be occupied, for it is related intimately with the supervision of the streets; the latter, with equal reason, is foreign naturally to the city, for the city is one of the parties in interest, and power to regulate prices ought not, in the usual course of affairs, to go to a party interested."

The courts have accordingly held that the delegation by a state to a municipality of general power to enact police regulations or to enact ordinances for the general welfare or similar powers does not confer the power to regulate rates or service or in any other way to regulate the relationship between a utility and its customers and patrons, as distinguished from the city or the inhabitants in general.

*City of St. Louis vs. Bell Telephone Co.*, 96 Mo. 623, 10 S. W. 197, 199;

*In re Pryor*, 55 Kans. 724, 41 Pac. 958, 959, 29 L. R. A. 398;

*State ex rel. Wisconsin Telephone Company vs. City of Sheboygan*, 111 Wis. 39, 86 N. W. 657, 662;

*Schroeder vs. Scranton Gas and Water Company*, 20 Pa. Sup. Ct. 255;

*State ex rel. Gardner vs. Missouri and K. Telephone Co.*, 189 Mo. 83, 88 S. W. 41, 43, 44;

*City of Jacksonville vs. Southern Bell Telephone and Telegraph Company*, 57 Fla. 374, 49 So. 509, 511;

*Bluefield Water Works and Improvement Co. vs. City of Bluefield*, 69 W. Va. 1, 70 S. E. 772, 774, 775;

*City of St. Mary's vs. Hope Natural Gas Co.*, 76 S. E. 841, 842 (W. Va.);

*Oklahoma Railway Company vs. Powell*, 127 Pac. 1080 (Okla.).

The constitution itself contains internal evidence showing that it could not have been intended in section 11 of article XI to give to a city any power over the relationship between a public utility and its patrons. I refer to the fact that in subsequent sections of the constitution, particularly in section 19 of article XI and in section 1 of article XIV the power of establishing rates for certain classes of public utilities was expressly conferred upon municipalities of this State. If the power to regulate the relationship between public utilities and their patrons is conferred by section 11 of article XI, it was entirely superfluous again to confer, in subsequent sections, a portion of the powers which had already been delegated to the municipalities. I believe that the courts

would be slow to say that the applicable provisions of section 19 of article XI and of section 1 of article XIV are nothing but surplusage.

I conclude that no power in the premises was conferred upon the city and county of San Francisco by section 11 of article XI of the constitution.

The same conclusion follows with reference to section 19 of article XI. Spring Valley Water Company accepted the State's offer of a franchise as contained in this section as it stood prior to October 10, 1911, and by such acceptance secured the right to lay its mains and pipes in and along all the public streets of San Francisco. (*Russell vs. Sebastian*, U. S. Supreme Court Decisions, April 6, 1914.) The only powers reserved to the city and county of San Francisco under that section were the power to supervise the location of the mains and cognate matters under the direction of the superintendent of streets or other officer in control thereof, to prescribe general regulations for damages and indemnity for damages, and to regulate the charges for water. The city and county of San Francisco was given no power under this section over such matters as adequacy of the service or the making of extensions.

Section 1 of article XIV has no bearing on this proceeding for the reason that its delegation of power affects simply the establishment of rates or charges for water.

I conclude that no provision of the constitution conferred upon the city and county of San Francisco any power over the service of a water utility. Likewise there is no general statute conferring such power.

Consequently we are driven to the freeholders' charter of San Francisco conferred by the legislature under the provisions of section 8 of article XI of the constitution. Here, if at all, must San Francisco secure power in the premises.

The applicable provisions of the charter are subsections 13 and 14 of section 1 of chapter II of article II said section 1 gives to the board of supervisors power, among others:

"13. Except as otherwise provided in this charter, to regulate and control the *location and quality* of all *appliances necessary to the furnishing of water*, heat, light, power, telephonic and telegraphic service to the city and county, and to acquire, regulate and control any and all appliances for the sprinkling and cleaning of the streets of the city and county, and for flushing the sewers therein."

"14. To fix and determine by ordinance in the month of February of each year, to take effect on the first day of July thereafter, the rates or compensation to be collected by any person, company or corporation in the city and county, for the use of water, heat, light, power or telephonic service, supplied to the city and county, or to the inhabitants thereof, *and to prescribe the quality of the service.*" (As amended November 5, 1907, approved by the legislature November 23, 1907; Statutes Special Session, 1907, page 55.)

The issue of jurisdiction in this proceeding depends, in the last analysis, upon the proper interpretation of these two subsections. The plaintiff and the city attorney argue that these subsections confer no power in the premises on the city, while the defendant contends that they cover the present case and clearly give power to the city therein.

It will be noted that the board of supervisors is given power under subsection 13 "to regulate and control the location and *quality* of all *appliances necessary to the furnishing of water*" and that under subsection 14 the board has power to prescribe the "*quality of the service*" of water utilities. The city attorney contends that the board has not been given power to compel the expenditure of money for capital purposes and that its power over the appliances necessary to the furnishing of section 1 of chapter II of article II. Said section 1 gives to the board of water is limited to the quality and material of pipe as distinguished from its size. He also relies on this Commission's decision in *Dooley vs. People's Water Company* (Vol. 3, Opinions and Orders of Railroad Commission of California, p. 948).

The city attorney's argument with reference to the expenditure of moneys for capital account would not seem to be well taken for the reason that expenditures properly chargeable to capital account are frequently necessary to improve "the quality of the service," as to which matter the board is expressly given power. The *Dooley* case would not seem to be in point. That was a case of extending a water main to serve new customers in Berkeley. The Commission found from an examination of the provisions of the freeholders' charter of Berkeley that no power to compel extensions of public utility properties had been conferred on the city of Berkeley and hence concluded that the power is vested in this Commission. The present case is not one of extensions, but one of improving the quality of the service by the enlargement of existing mains, and must be decided under the provisions of the San Francisco charter.

I have not been able to bring myself to agree with the city attorney that the power to regulate and control the "quality of the appliances necessary to the furnishing of water" gives the power only to determine the character of the material of water mains and not the size or other characteristics necessary for adequate service. It becomes unnecessary, however, to pass upon this question for the reason that, in my opinion, the power conferred by subsection 14, "to prescribe the quality of the service" clearly covers the present case. The complainants in this case want better service. That is the sum and substance of their complaint. They ask that the quality of their service be improved by giving them an adequate supply of water and to this end they ask that the size of the existing mains be increased. The matter seems to be one over which the board of supervisors alone has jurisdiction. I accordingly suggest

to complainants that they present their complaints to the board of supervisors, which body alone has jurisdiction in the premises.

It will be understood, of course, that this decision is based on the specific provisions of the freeholders' charter of San Francisco and on the specific facts of this case. In other municipalities, this Commission largely has jurisdiction over the "quality of the service" of public utilities and in the city and county of San Francisco itself it is the duty of this Commission to exercise the broad powers conferred upon it by the constitution and statutes of this State except only in so far as power over a given public utility was vested in the city on March 23, 1912. As the Commission finds that it has no jurisdiction on the facts of this case, it has no other course open than to dismiss this proceeding.

I submit the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding and the Railroad Commission finding that it has no jurisdiction in the premises,

*It is hereby ordered* that the above entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 21st day of May, 1914.

---

DECISION No. 1532.

IN THE MATTER OF THE INVESTIGATION ON COMMISSION'S OWN MOTION INTO THE CHARGE FOR NATURAL GAS BY CALIFORNIA NATURAL GAS COMPANY TO WEST SIDE GAS COMPANY.

---

Case No. 562.

*Decided May 21, 1914.*

---

Investigation upon the Commission's own initiative to determine a fair and reasonable rate for natural gas to be paid by the West Side Gas Company to respondent.

*Held*, That the present rate of 25 cents per one thousand cubic feet for natural gas delivered by California Natural Gas Company to West Side Gas Company for distribution in the towns of Taft and Maricopa is unjust and unreasonable, and a rate of 7 cents per thousand cubic feet is determined upon as a fair and just rate for this particular service, which rate is ordered into effect within thirty days.

*Pillsbury, Madison & Sutro*, for California Natural Gas Company.

*Fred L. Seybolt*, city attorney, for City of Taft.

*George E. Whitaker*, for West Side Gas Company.

## REPORT OF THE COMMISSION.

THIELEN, *Commissioner*.

This is an investigation on the Commission's own motion into the charge for natural gas by California Natural Gas Company to West Side Gas Company. The investigation grew out of Case No. 516, *City of Taft vs. West Side Gas Company*. When a portion of the evidence had been taken in that case it appeared that it would be impossible to dispose of the issues in that case definitely and satisfactorily unless the price paid for natural gas by West Side Gas Company to California Natural Gas Company were investigated and determined. The Commission accordingly instituted this investigation on its own motion.

The towns of Taft and Maricopa receive their supply of natural gas from West Side Gas Company, which in turn receives the same from the California Natural Gas Company in accordance with the provisions of a contract dated December 11, 1911, between California Natural Gas Company and Joseph McDonald and J. G. McDonald, which contract was thereafter, on March 5, 1912, assigned by the McDonalds to West Side Gas Company, with the consent of the California Natural Gas Company. The contract provides, in part, that the volume of gas taken shall be on a 4-ounce pressure basis above 14.4 pounds per square inch, atmospheric pressure, and that the gas shall be measured by a natural gas meter of standard make, or by pilot tube, or other measuring device, supplied by the California Natural Gas Company; that the gas is to be paid for at the rate of 25 cents per thousand cubic feet, measured on the hereinbefore specified basis, with a discount of 5 cents per thousand cubic feet if paid before the twentieth day of the calendar month following that in which the gas is supplied; that the McDonalds shall not charge their customers in excess of \$1.25 per thousand cubic feet for domestic gas and that the California Natural Gas Company shall have the right by giving thirty days' notice, in writing, to direct the McDonalds to reduce their rate for domestic gas to an amount not lower than 60 cents per thousand cubic feet; that delivery of natural gas shall be made by California Natural Gas Company at an adequate pressure, the maximum line pressure not to exceed 50 pounds at the point of delivery; that the gas delivered under the contract shall be for the purpose of supplying domestic and industrial consumers in the towns of Taft and Maricopa and their suburbs; and that the agreement shall continue in force for three years from date, and unless then terminated by thirty days' notice, in writing, thereafter from year to year until terminated by a sixty days' notice in writing before the end of any given year.

The West Side Gas Company, as assignee of the McDonalds, has been paying its bills to the California Natural Gas Company before

the twentieth day of the calendar month following that in which the gas has been supplied, and has received the discount of 5 cents per thousand cubic feet, so that the cost of this gas to the West Side Gas Company has been 20 cents per thousand cubic feet, measured under the pressure specified in the contract.

The natural gas delivered by the California Natural Gas Company is received by that Company from its parent company, the Standard Oil Company, and from the Honolulu Consolidated Oil Company, from the natural gas wells of these companies located in the Buena Vista Hills fields, in Kern County.

The amount of gas delivered by the California Natural Gas Company for consumption in the towns of Taft and Maricopa constitutes only a very small portion of the total gas sold by the company. The major portion of its gas is sold for use in the oil fields and in Bakersfield.

The following table shows the depreciated reproduction value of the property of the California Natural Gas Company engaged in its business as a public utility, the amount of this property segregated to the Bakersfield service, as determined in Case No. 357, and the depreciated reproduction value of the company's remaining properties:

TABLE No. 1.

	Depreciated value as of January 1, 1914	Segregated to Bakersfield service, Case 357	Present value remaining properties
<b>Well equipment</b> .....	\$15,259 01	\$1,960 00	\$13,299 01
<b>Pipe lines</b> .....	296,845 89	80,763 23	218,082 66
<b>Telephone lines</b> .....	2,398 94	1,062 33	1,336 61
<b>Measuring station (Bakersfield)</b> .....	4,120 60	4,120 60	-----
<b>General structures</b> .....	5,213 01	754 42	4,458 59
<b>General and miscellaneous equipment</b> ..	19,170 02	2,774 27	16,395 75
<b>Totals</b> .....	\$345,007 47	\$91,434 85	\$253,572 62

It will be observed from the foregoing table that the depreciated reproduction value of the company's property as of January 1, 1914, amounts to \$345,007.47, and that the property segregated to the Bakersfield service amounts to \$91,434.85, thus leaving a value of the remaining properties, engaged in the service of the oil fields and of Taft, Maricopa and Fellows, amounting to \$253,572.62.

The following table shows the depreciated reproduction value of the company's property, less that chargeable to the Bakersfield service.

the estimated salvage value, the net depreciable value and a proper sum to be allowed annually as a depreciation annuity:

TABLE No. II.

	Present value (less Bakers- field)	Salvage value	Net depreciable value	Depreciation annuity
Well equipment .....	\$13,299 01	\$2,659 80	\$10,639 21	\$845 87
Pipe lines .....	218,082 66	17,307 33	200,775 33	15,962 56
Telephone lines .....	1,336 61	267 32	1,069 29	85 01
General structures .....	4,458 59	1,730 70	2,727 89	217 04
General and miscellaneous equipment .....	16,395 75	532 86	15,862 89	1,261 17
Totals .....	\$253,572 62	\$22,498 01	\$231,074 61	\$18,371 65

It is proper to say that the property values shown in Tables No. I and No. II, and also the value of the property segregated to the Bakersfield service have been furnished by the California Natural Gas Company itself, and have been accepted by this Commission. Depreciation in Table No. II has been estimated on the sinking fund basis, with interest at the rate of 5 per cent per annum. The entire present value, less salvage, is to be amortized during a period of ten years, on the basis of a ten year life of the gas field.

The following table shows the fixed capital and the depreciation annuity as estimated for the Taft service by this Commission's gas and electrical department:

TABLE No. III.

	Present value all properties, less those segre- gated to Bakersfield service	Segregated to Taft and South Taft service	Depreciation annuity prorated to Taft
Well equipment, etc.....	\$13,299 01	\$165 20	\$10 51
Pipe lines .....	218,082 66	2,709 04	198 29
Telephone lines .....	1,028 94	16 60	1 06
General structures .....	4,458 59	55 41	2 70
General and miscellaneous equipment.....	16,395 75	203 67	15 67
Totals .....	\$253,264 95	\$3,149 92	\$228 23
Measuring station .....		140 00	11 13
Meter and regulators.....		259 55	10 31
Totals .....		\$3,549 47	\$249 67

In segregating fixed capital and depreciation annuity to the Taft service, the basis established is the percentage found by dividing the Taft sales for 1913 by the company's entire sales for the year 1913, exclusive of Bakersfield. This percentage is 1.2422 per cent.

The California Natural Gas Company submitted a statement showing estimated cost of building a single transmission line to Fellows, Taft and Maricopa, and also estimated earnings and operating expenses for

such line. This statement was submitted on the assumption that the Taft, Maricopa and Fellows business be segregated from the remaining business of the company and that a transmission line be constructed from the gas wells in the field to serve these towns alone. The hypothesis on which this estimate is made is entirely at variance with the facts, for the reason that the mains through which Taft, Maricopa and Fellows receive their supply of natural gas are an integral portion of the California Natural Gas Company's network of transmission mains in the oil fields, and that the mains through which these towns receive their supply of natural gas are principally used for the supply of gas for industrial purposes in the oil fields. This estimate shows a total investment chargeable to the Taft service of \$30,569.41, as contrasted with the estimate of this Commission's gas and electrical department, as indicated in Table No. III, amounting to \$3,549.47. Upon noting this very large discrepancy between the estimate of the California Natural Gas Company and the estimate of this Commission's gas and electrical department, the Commission reopened the case and set the same for further hearing for May 14, 1914, so as to permit the officials of the California Natural Gas Company to present their views in further detail, and so as to enable the Commission to cross-examine its experts in order to test the correctness of their conclusions. The Commission and the California Natural Gas Company thereupon arranged for a conference between the company's officers and this Commission's gas and electrical department to see if an agreement could not be reached. As the result of this conference Mr. McMahon, representing the California Natural Gas Company, appeared at the further hearing on May 14, 1914, and stated that on the basis of existing conditions in the fields, his company was willing to concede the correctness of the figures presented by this Commission's gas and electric rate department. He stated that his company recognized that the highest use of natural gas would be subserved by domestic consumption, and that the company was trying gradually to utilize its gas more for this purpose than for industrial uses in the oil fields, and stated, very properly, that if this change were accomplished, it might hereafter be that the company's rate for gas delivered for domestic service might have to be increased. While this frank attitude on the part of the representatives of the California Natural Gas Company leaves no alternative to this Commission but to make a very substantial reduction in the rate charged by that company to the West Side Gas Company, the Commission desires the California Natural Gas Company to know that the rate herein established is fixed on the existing conditions, and that if conditions hereafter change by reason of the diversion of the gas from industrial uses to domestic uses, in accordance



with the higher use of the gas and the clear public policy involved, this Commission will be ready to revise the rates in accordance with the changed conditions.

The following table shows the cost of natural gas delivered at Taft on the bases hereinafter explained:

TABLE No. IV.

Interest on \$3,549.47 at 9 per cent.....	\$319 45	
Depreciation as per Table II.....	249 67	
<b>Total fixed charges.....</b>		<b>\$569 12</b>
Operating expense.....	\$290 83	
Maintenance measuring station.....	7 99	
Gas purchased (51,459,892 cubic feet).....	2,573 00	
Taxes.....	165 91	
<b>Total operating.....</b>		<b>3,037 73</b>
<b>Total cost of service.....</b>		<b>\$3,606 85</b>

Cost of gas at Taft, 7.009 cents per thousand cubic feet.

In the foregoing table interest has been allowed at the rate of 9 per cent, which rate, under the circumstances surrounding the business of this company, is deemed to be fair. The amount allowed for depreciation is ascertained as shown by Table No. II. The company's total operating expense, amounting to \$27,373.93, less the sum of \$3,961.53, chargeable to the Bakersfield division, has been prorated on the same basis used for the segregation of capital, viz, on the basis of a charge of 1.2422 per cent to the Taft service. An allowance of 2 per cent on investment has been made for maintenance of the measuring station at Taft. The quantity of gas purchased by California Natural Gas Company has been computed on the basis of the sales to West Side Gas Company for the year 1913, increased by 17.8 per cent estimated increased consumption for the year 1914, which estimated amount has been further increased to provide for a loss of 20 per cent in local distribution. Under its contract with the Standard Oil Company, the California Natural Gas Company pays 5 cents per thousand cubic feet to the owners of the gas wells from which it receives its gas; 51,459,892 cubic feet of gas at the rate of 5 cents per thousand cubic feet, amounts to a total sum of \$2,573.00, which the California Natural Gas Company will be compelled to pay for its natural gas for the Taft service during the year 1914, on the foregoing basis.

It appears from Table IV, that the price to be charged by the California Natural Gas Company for its gas delivered to West Side Gas Company should be 7.009 cents per thousand cubic feet. During the year 1913, 4,214,545,000 cubic feet out of a total of 4,802,737,000 cubic feet of gas sold by California Natural Gas Company, was sold at the rate of 7 cents per thousand cubic feet.

The rate of 7 cents per thousand cubic feet for gas sold to the West Side Gas Company is a fair rate for this service, and also eliminates all discrimination between the field consumers and the West Side Gas Company. I accordingly find, on the facts of this case, that a fair and reasonable rate to be charged to West Side Gas Company, under existing conditions, for natural gas, is the sum of 7 cents per thousand cubic feet, on a 4-ounce pressure basis above 14.4 pounds per square inch, atmospheric pressure.

I submit herewith the following form of order:

**ORDER.**

The Railroad Commission having instituted, of its own motion, an investigation into the rate charged for natural gas by California Natural Gas Company to West Side Gas Company, and public hearings having been held in said proceeding, and the case having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the existing rate charged for natural gas by California Natural Gas Company to West Side Gas Company is an unreasonable rate, and that a fair and reasonable rate for natural gas delivered by California Natural Gas Company to West Side Gas Company is the rate of seven (7) cents per thousand cubic feet of gas delivered under a four (4) ounce pressure above 14.4 pounds per square inch, atmospheric pressure.

Basing its conclusion upon the foregoing finding of fact and on the further findings which are contained in the opinion which precedes this order,

*It is hereby ordered* that California Natural Gas Company, within thirty (30) days from the receipt of a certified copy of this order, establish a rate of seven (7) cents per thousand cubic feet of gas delivered to West Side Gas Company, on a four (4) ounce pressure basis above 14.4 pounds per square inch, atmospheric pressure, and file such rate with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 21st day of May, 1914.

## DECISION No. 1533.

CITY OF TAFT  
*vs.*  
WEST SIDE GAS COMPANY.

Case No. 516.

*Decided May 21, 1914.*

Complainant alleges that the present rates for natural gas as charged by defendant in the city of Taft are unreasonable, and petitions the Commission to fix a reasonable rate for such service.

*Held*, After thorough investigation just and reasonable rates prescribed which include a rate of 70 cents per one thousand cubic feet for the first five thousand cubic feet per month with a minimum monthly bill of \$1.00, which rates are ordered into effect within thirty days. Defendant also directed to file, for the approval of the Commission, a plan embodying uniform deposit requirements in accordance with suggestions outlined herein.

*Fred L. Seybolt*, city attorney, for Complainant.

*George E. Whitaker*, for Defendant.

## REPORT OF THE COMMISSION.

*TIELEN, Commissioner.*

The issue in this case is the rate to be charged for natural gas delivered within the city of Taft.

The complainant alleges, in effect, that the city of Taft is a municipal corporation of the sixth class; that the defendant is a corporation engaged in the business of selling and distributing natural gas for heating, cooking and lighting purposes to the inhabitants of the city of Taft and territory contiguous thereto; that defendant is a public utility; that at an election held in the city of Taft on November 11, 1913, the city of Taft transferred to the Railroad Commission the city's powers over all classes of public utilities; that on March 17, 1913, the city of Taft adopted Ordinance No. 46, establishing the rates to be charged for gas delivered within the city of Taft during the year beginning July 1, 1913, and ending June 30, 1914, a copy of which ordinance is attached to the complaint and marked "Exhibit B"; that prior to said first day of July, 1913, the defendant commenced an action in equity against the city of Taft in the Federal courts and secured an order restraining the city of Taft and its officers from enforcing said ordinance, *pendente lite*; that since the issue of said restraining order, the defendant has continued to collect from the inhabitants of the city of Taft the rates or charges in effect prior to said first day of July, 1913, which rates and charges are set out in a statement marked "Exhibit C," and attached to the complaint; and

that the rates charged by defendant are unjust and unreasonable. The complaint concludes with a prayer that this Commission establish the rate which shall be charged by defendant for gas furnished to the city of Taft and the inhabitants thereof.

Exhibit "B," attached to the complaint, shows the rates for gas which the city of Taft attempted to make effective for the year beginning July 1, 1913. These rates are as follows:

For the first 10,000 cubic feet.....	\$8.75	per 1,000 cubic feet
For the second 10,000 cubic feet.....	.60	per 1,000 cubic feet
For the third 10,000 cubic feet.....	.48 $\frac{3}{4}$	per 1,000 cubic feet
All quantities over and above 30,000 cubic feet.....	.37 $\frac{1}{2}$	per 1,000 cubic feet
Minimum charge .....	1.00	per month

Exhibit "C," attached to the complaint, shows the rate at present being collected by the West Side Gas Company for gas supplied to the city of Taft and the inhabitants thereof. These rates are as follows:

For the first 10,000 cubic feet.....	\$1.00	per 1,000 cubic feet
For the second 10,000 cubic feet.....	.80	per 1,000 cubic feet
For the third 10,000 cubic feet.....	.65	per 1,000 cubic feet
All over 30,000 cubic feet.....	.50	per 1,000 cubic feet
Minimum charge .....	1.00	per month

The answer admits that defendant is charging the rates specified in Exhibit "C," attached to the complaint; denies that any of such rates are unfair or unjust; and alleges that said rates are fair, just and reasonable and do not afford the defendant other than a fair, just and reasonable return on its investment. The defendant prays that the complaint be dismissed and that plaintiff take nothing by its action.

Public hearings in this case were held in the city of Taft on March 12, 1914, and in the city of San Francisco on April 4, 1914. The decision in this case has necessarily awaited the disposition of Case No. 562, being this Commission's investigation in the matter of the rate charged West Side Gas Company by California Natural Gas Company for the gas distributed by the West Side Gas Company in Taft. The last hearing in the latter case was held in the city of San Francisco on May 14, 1914, and the present proceeding is now ready for decision. Reference is hereby made to this Commission's decision this day rendered in Case No. 562, for the rate to be charged by the California Natural Gas Company for natural gas delivered to West Side Gas Company, which rate has been established at the sum of 7 cents per thousand cubic feet of natural gas delivered under a 4-ounce pressure basis above 14.4 pounds per square inch, atmospheric pressure.

Natural gas was first supplied for domestic use in the city of Taft, as the result of an agreement dated December 9, 1911, between the California Natural Gas Company and Joseph McDonald and J. G. McDonald, under which agreement the California Natural Gas Com-

pany agreed to deliver to the McDonalds such natural gas as they might sell to domestic and industrial consumers in the towns of Taft and Maricopa and their suburbs, at the rate of 25 cents per thousand cubic feet, measured on a 4-ounce pressure basis above 14.4 pounds per square inch, atmospheric pressure, with a discount of 5 cents per thousand cubic feet, in case payments were made prior to the fifteenth day of the calendar month following that in which the gas was supplied. The McDonalds thereafter incorporated the West Side Gas Company, and by assignment of March 5, 1912, consented to by the California Natural Gas Company, assigned all their rights in said contract to the West Side Gas Company. The McDonalds and their assignee, the West Side Gas Company, constructed a local distributing system for the distribution and delivery of natural gas in the towns of Taft and Maricopa and in territory adjoining to Taft on the south, known as Boust City or South Taft. Ever since the early part of 1912, the McDonalds and the West Side Gas Company, their assignee, have been receiving natural gas from the California Natural Gas Company at wholesale, and have been selling it to customers in Taft, Boust City and Maricopa.

This Commission's gas and electrical rate department prepared a careful inventory and appraisal of the property of the West Side Gas Company, which appraisal was introduced in evidence and marked "Railroad Commission's Exhibit No. 1." This exhibit shows the estimated original cost, on the basis of the prices obtaining at the time the system was installed, the depreciated reproduction value on the basis of this estimate of original cost, the estimated reproduction value new as of the time of the appraisal and the depreciated reproduction value on the basis of this estimate, as follows:

TABLE I.

	Estimated original cost	Depreciated reproduction value	Reproduction value, new	Depreciated reproduction value
Lands .....	\$4,110 00	\$4,110 00	\$4,110 00	\$4,110 00
General structures .....	1,631 91	1,274 39	1,530 99	1,195 92
Transmission mains and equip- ment .....	2,474 52	1,769 28	2,376 45	1,699 16
Distribution mains and equipment .....	7,360 88	5,263 02	6,261 60	4,477 04
Services .....	760 00	543 40	685 50	490 13
Meters and regulators .....	4,539 15	3,631 32	4,305 83	3,444 66
Furniture and fixtures .....	910 50	682 87	906 95	680 21
Shop equipment .....	378 02	283 51	378 02	283 51
Stock on hand .....	245 82	245 82	245 82	245 82
Automobile and motorcycle .....	1,550 00	620 00	1,550 00	620 00
Totals .....	\$23,960 00	\$18,423 61	\$22,351 16	\$17,346 45

The evidence shows that the price paid for the West Side Gas Company's parcel of real property in the city of Taft was \$2,250.00, instead of \$4,110.00. The evidence also shows that the unit prices used by this Commission's experts for transmission and distribution mains are in excess of the actual cost to the West Side Gas Company and in excess of the money which it would take at the present time to reproduce the same.

In view of the evidence on these points, I am of the opinion that the values appearing in the following table may be taken to represent a fair estimate of the value of the property to be used as the basis of return in this proceeding. The table also shows the salvage value of the property, its net depreciable value and the depreciation annuity necessary to be set aside, year by year, on the basis of retiring the entire investment, less salvage, in ten years:

TABLE II.

	Value of property	Salvage value	Net depreciable value	Depreciation annuity
Real estate .....	\$2,250 00	\$2,250 00		
General structures .....	1,631 91	443 00	\$1,188 91	\$94 52
Transmission mains, etc.....	2,376 45	48 00	2,328 45	185 12
Distribution mains, etc.....	6,261 60		6,261 60	497 83
Services .....	760 00		760 00	60 42
Meters and regulators .....	4,539 00	1,585 00	2,954 00	293 94
Furniture and fixtures .....	910 50	121 00	789 50	78 56
Shop equipment .....	378 02		378 02	39 59
Stock on hand .....	245 82	147 00	98 82	9 83
Automobile and motorcycle.....	1,550 00		1,550 00	280 51
<b>Totals .....</b>	<b>\$20,903 30</b>	<b>\$4,594 00</b>	<b>\$16,309 30</b>	<b>\$1,540 32</b>

In the foregoing table the sinking fund method has been used in ascertaining depreciation annuity and the rate of interest employed is 5 per cent.

The foregoing table shows all the physical property of the West Side Gas Company without any segregation of the property devoted to the service of the city of Taft as distinguished from that which is devoted to the service of Maricopa.

The following table shows an estimate of the property devoted to the service of Taft alone, together with a salvage value thereof, the net depreciable value and the depreciation annuity, the salvage value, net

depreciable value and depreciation annuity being estimated in the manner hereinbefore indicated in connection with Table No. II:

TABLE III.

	Value of property	Salvage value	Net depreciable value	Depreciation annuity
Real estate (prorated).....	\$1,503 60	\$1,503 60		
General structures (prorated).....	1,090 55	296 04	\$794 51	\$63 17
Transmission mains, etc.....	2,376 45	48 00	2,328 45	185 12
Distribution mains.....	6,261 60		6,261 60	497 83
Services.....	760 00		760 00	60 42
Meters and regulators.....	4,539 00	1,585 00	2,954 00	293 94
Furniture and fixtures (prorated).....	608 46	80 86	527 60	41 95
Shop equipment (prorated).....	252 62		252 62	26 45
Stock on hand (prorated).....	164 27	98 24	66 03	5 25
Automobile and motorcycle (prorated).....				
	1,035 81		1,035 81	187 46
Totals.....	\$18,592 36	\$3,611 74	\$14,980 62	\$1,361 59

In the foregoing table, the property used generally in the service to Taft and to Maricopa has been prorated on the basis of the gas sales in 1913 in these two respective communities.

The following table shows the operating expenses in connection with the West Side Gas Company's entire business, including both Taft and Maricopa, as reported by that company for the year 1913:

TABLE IV.

Gas purchased.....		\$12,116 04
Transmission expense.....	\$736 40	
Distribution expense.....	3,552 90	
Commercial expense.....	3,629 00	
General officers' salary and expense.....	5,469 55	
Miscellaneous and general expense.....	3,724 11	
		17,111 96
Taxes.....		1,074 74
Total expense.....		\$30,302 74

The following table shows the operating expenses of West Side Gas Company for its Taft service alone, as reported by the company for the year 1913:

TABLE V.

Gas purchased.....		\$7,765 79
Transmission expense.....	\$736 40	
Distribution expense.....	2,160 92	
Commercial expense.....	2,295 66	
General officers' salary and expense.....	3,597 07	
Miscellaneous and general expense.....	3,674 99	
		12,465 04
Taxes.....		704 72
Total expense.....		\$20,835 55

The item "transmission expense, \$736.40," includes the sum of \$300.00 which was expended on account of an exploded meter and can not be regarded as an expense likely to recur each year. The item "distribution expense, \$2,160.92," includes an item for automobile expense, amounting to \$455.68, miscellaneous labor amounting to \$549.34, and other unexplained items. The item "commercial expense, \$2,295.66," includes the salary of Miss McDonald in the amount of \$480.00, salary of the secretary, Mr. Ira A. Miller, in the amount of \$635.00, and miscellaneous labor, amounting to \$866.34, and certain items which have not been explained. Only one half of Miss McDonald's salary should be allowed, for the reason that she is not continuously occupied as a "stenographer" or in any other capacity, and Mr. Miller's salary should be charged to the general officers' salary and expense account. The next item, "general officers' salary and expense, \$3,597.07," includes automobile expense amounting to \$59.00, salary of J. G. McDonald, amounting to \$2,178.15, salary of Joseph McDonald, amounting to \$272.55, and salary of Ira A. Miller, amounting to \$453.87. The balance of \$633.50 evidently represents some expense of general officers which has not been itemized. The company itself has determined no longer to charge against the Taft business the salary of Joseph McDonald, which has heretofore amounted to \$3,600.00 per year. His services are devoted to other business, and it is clear that no charge for salary on his account should be made against the Taft business. The item "miscellaneous and general expense, \$3,674.99," includes automobile expense amounting to \$232.02 and salaries of employees, amounting to \$60.00. The remainder of the sum is for items which have not been explained.

After carefully examining into the evidence in this case, I find that the total amounts which should be allowed for interest, depreciation, operating expenses and maintenance and taxes are as shown in the following table:

TABLE VI.

Interest at 9 per cent—\$18,592.36.....	\$1,673 31	
Depreciation annuity (Table III).....	1,361 59	
<b>Total fixed charges.....</b>		<b>\$3,031 90</b>
Gas purchased (36,363,315 cubic feet at 7 cents).....	\$2,545 43	
Transmission expense .....	436 40	
Distribution expense .....	2,160 92	
Commercial expense .....	1,120 66	
General officers' salary and expense.....	4,000 60	
Miscellaneous and general expense.....	2,488 70	
Taxes .....	776 14	
<b>Total operating expense.....</b>		<b>\$13,837 85</b>
<b>Total expense .....</b>		<b>\$16,872 75</b>



In the above table, the item "gas purchased, \$2,545.43," is the purchase price of 36,363,315 cubic feet of gas at the rate of 7 cents per thousand cubic feet, this being the rate established in Case No. 562, being this Commission's investigation into the rate charged for natural gas by California Natural Gas Company. The total number of cubic feet of gas is the result of starting with the amount of gas sold by West Side Gas Company to its Taft consumers, increased by 17.08 per cent. the estimated increase during 1914, and further increased in the amount of 20 per cent for loss in transmission and distribution between the point of delivery by California Natural Gas Company and the consumers' meters. Although the loss of 20 per cent is apparently excessive, it is 14.7 per cent less than the loss during the first eleven months of 1913. The loss is partly accounted for by the carelessness of the town authorities in breaking gas mains and services during street construction and grading. It can not be assumed that the loss for 1914 will be so heavy.

The item "general officers' salary and expense, \$4,009.60," and "miscellaneous and general expense, \$2,488.70," have been secured by prorating as between Taft and Maricopa on the basis of gas sales during 1913, the items of \$6,000.00 and \$3,724.11, respectively. The item of \$6,000.00 for general officers' salaries and expenses includes the salary of J. G. McDonald in the sum of \$3,600.00, the salary of Ira A. Miller amounting to \$1,800.00, and an estimated item of \$600.00 for expenses for general officers. The item of \$3,724.11, for miscellaneous and general expense is taken from the company's last annual report to this Commission.

From all the evidence in this case, I find that the rates at present being charged by West Side Gas Company to its customers in the city of Taft are unreasonable rates and that the rates shown in the following table are fair and reasonable rates for natural gas supplied by West Side Gas Company to its customers within the city of Taft and should be established by that company:

TABLE VII.

First 5,000 cubic feet per month.....	70¢ per 1,000 cubic feet
Next 20,000 cubic feet per month.....	50¢ per 1,000 cubic feet
Next 50,000 cubic feet per month.....	35¢ per 1,000 cubic feet
Over 75,000 cubic feet per month.....	25¢ per 1,000 cubic feet

Minimum charge, \$1.00 per month per meter.

The estimated effect of the foregoing schedule of rates resulting from the application thereof to the business of the West Side Gas Company in the city of Taft is as follows:

TABLE VIII.

	Percentage consumers affected	Percentage consumption	Amount of gas	Rate	Revenue
First 5,000 cubic feet.....	85.86%	38.85%	11,772,623	70¢	\$8,240 80
Next 20,000 cubic feet.....	13.08%	39.19%	11,875,653	50¢	5,937 83
Next 50,000 cubic feet.....	.84%	12.71%	3,851,481	35¢	1,348 02
Over 75,000 cubic feet.....	.22%	9.25%	2,803,006	25¢	700 75
	100.00%	100.00%	30,302,763	-----	\$16,227 40
Excess due to minimum.....					662 27
Total earnings .....					\$16,889 67

It will thus be observed that the actual revenue to be derived under the new rates will be slightly in excess of the total expense which has hereinbefore been found to be fairly chargeable to the business of the West Side Gas Company in the city of Taft.

The complainant, at the hearing, drew the Commission's attention to the practice of the West Side Gas Company in connection with the charge of deposits from its customers. While this matter was not formally in issue, both parties agreed that while a formal order should not be made on this subject, the Commission might suggest to the defendant the proper way of handling this question in case the Commission should reach a conclusion thereon.

The evidence shows that although it is usual for the company to charge a deposit of \$5.00 from each customer, certain of the earlier customers have never paid such a deposit, and that in other cases a deposit in excess of \$5.00 has been demanded. The city complained that it did not seem fair to charge a deposit of \$5.00 to a customer whose bill may not run higher than \$1.00 per month. The city attorney frankly stated that, because of the constantly changing population at Taft, it is necessary to adopt some measure to protect the gas company against persons who come for only a short while and then go away without paying their gas bills. The city attorney clearly saw that losses of this kind must be met by the other consumers, and that the gas company is entitled to protection in the matter, in view of the circumstances surrounding the service of gas at Taft. On the other hand, the only justifiable purpose of demanding a deposit is to insure the payment of a month's bill in advance, and the deposit should not be larger than its purpose warrants. The Commission accordingly suggests to the West Side Gas Company that it divide its consumers into general classes, in accordance with the character of the service rendered, and that as to each of these

classes, it ascertain an average month's bill over the period of one year, and that henceforth it charge to each consumer in a particular class a deposit in advance amounting to the sum so ascertained. The company must treat all customers in a particular class alike, so that there will be no discrimination. Those consumers who at present have no deposit should pay the amount ascertained for the class in which they may find themselves, and those consumers who have paid a deposit in excess of the amount found for their particular class should receive back the excess deposit which they have paid. In this way the company will be properly protected, but it will not be in the position of demanding an amount in excess of a proper deposit, and it will also avoid further discrimination.

We suggest that the company prepare a plan in accordance with this suggestion and that it present the same to this Commission for its approval.

I submit herewith the following form of order:

#### ORDER.

Public hearings having been held in the above entitled complaint, and the case having been submitted and being now ready for decision, the Commission hereby finds as a fact that the rates which the West Side Gas Company is charging its consumers of natural gas in the city of Taft are unreasonably high, and that the rates hereinafter set forth are just and reasonable rates to be charged said consumers.

Basing its conclusions upon the foregoing finding of fact and on the other findings which are contained in the opinion which precedes this order,

*It is hereby ordered* that West Side Gas Company be and the same is hereby directed to establish within thirty (30) days from the receipt of a certified copy of this order, the following rates to be charged for natural gas to its customers in the city of Taft, applicable to all consumers:

First 5,000 cubic feet per month.....	70¢ per 1,000 cubic feet
Next 20,000 cubic feet per month.....	50¢ per 1,000 cubic feet
Next 50,000 cubic feet per month.....	35¢ per 1,000 cubic feet
Over 75,000 cubic feet per month.....	25¢ per 1,000 cubic feet

Minimum charge, \$1.00 per month per meter.

*And it is further ordered* that West Side Gas Company, within thirty days from the receipt of a certified copy of this order, file with this Commission said rates, in compliance with this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 21st day of May, 1914.

## DECISION No. 1534.

THOMAS MONAHAN, AS MAYOR OF THE CITY OF SAN JOSE,  
vs.  
SAN JOSE WATER COMPANY.

— — —  
Case No. 476.

*Decided May 22, 1914.*  
— — —

Complainant alleges that rates for all classes of service as furnished by defendant in the city of San Jose are unjust and unreasonable, and petitions the Commission to fix just and reasonable rates for such service.

*Held.* That the rates of defendant in so far as they differ from the rates herein prescribed are unjust and unreasonable, which prescribed rates include an increase in the commercial rates paid by the city and a decrease in the minimum monthly rates as paid by the small consumers. Defendant directed to make all service connections and meter installations at its own expense, with certain specified exceptions, subject to the consent of the Commission.

*Held.* That though it is the desire of the Commission to encourage utilities to safeguard the purity of water used for domestic purposes, if more than one method may be pursued with equal effectiveness, it is only reasonable to require that the more economical one be followed.

*Held.* That the right to pump water, when such right does not interfere with equal rights of other property owners, can not be capitalized to a greater extent than the actual cost of development, which cost will be fully allowed. That where land included in a watershed is essential to a water supply such land is included in the value of the water and when the two are valued separately duplication results.

*Held.* That necessary development cost, being interest upon investment in a plant, which during its infancy can not be reasonably expected to earn a return upon such invested capital, should be allowed by a rate-fixing body, provided that such cost has not been offset by subsequent excessive earnings.

*J. W. Sullivan*, for Complainant.

*S. F. Leih*, for Defendant.

## REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

The complaint herein was filed on October 8, 1913, alleging that the rates for water delivered to the inhabitants of the city of San Jose were excessive and unreasonable; that the minimum rate charged consumers was excessive; that the charge for service connections other than on the property of the consumers was excessive; that the charge for installation of meters was unfair and unreasonable; that the charge for installation and furnishing of hydrants and fire plugs was unfair and unreasonable; and that the practices of the company concerning extensions within the city were oppressive and unreasonable. Thereafter on the twenty-fifth day of October, 1913, the defendant filed its answer denying most of the material allegations of the complaint.

Considerable time was asked for and granted to the defendant in order to enable it to make a complete valuation of its property, which had not theretofore been done, and after the evidence was finally in on the 7th day of April, 1914, additional time was asked for and granted, for the filing of briefs which have now come in and the case is ready for decision.

A very comprehensive and careful valuation of the properties of the San Jose Water Company was made by F. G. Herrmann and G. A. Elliott, engineers employed by the defendant. Inasmuch as the appraisal and description of the property made by these engineers has furnished the basis for both their valuation and the valuation of the engineers of this Commission, I shall take the liberty to refer to their description of the property for the purposes of this opinion.

The San Jose Water Company was incorporated November 21, 1866, with a capital of \$100,000.00. Up to that date San Jose had been supplied with water pumped from a well located at the corner of First and San Antonio streets, owned by one Donald McKenzie. The San Jose Water Company took over the McKenzie plant and extended the service to include the suburbs of San Jose, the town of Los Gatos and vicinity, and the town of Santa Clara. With the exception of Santa Clara, where a municipal water works was installed in 1895, and the towns of Saratoga and Alma, this is the field covered today.

The capital stock of the company has from time to time been increased and is now \$1,250,000.00

The physical property of the company consists of:

4,047 acres of land on Los Gatos Creek;

30 acres of land on Coyote Creek;

8.5 acres of land on Saratoga Creek;

Miscellaneous water rights, rights of way, city lots, etc.;

Eleven reservoirs of a total capacity of 300,000,000 gallons;

Miscellaneous diverting dams, flumes and conduits for the collection of water;

Nine pumping stations;

San Jose distributing system;

Los Gatos distributing system;

Saratoga distributing system;

Wells, office buildings, property yards, etc.

Chronologically the properties of the San Jose Water Company were acquired or constructed as follows:

1869. Agreement made with the Los Gatos Manufacturing Company to use the water of Los Gatos Creek. Water rights on Los Gatos Creek north of Los Gatos purchased in this year and in 1870.

1870-71. Three-mile and seven-mile reservoirs constructed and used as regulators.

1871. Tisdale reservoir near Los Gatos built in conjunction with the Los Gatos Manufacturing Company. Jones dam and flume constructed.

1872. Seven mile reservoir enlarged and flume built to Los Gatos.  
 1874-76. Lake Ranch reservoir built.  
 1877. Land acquired and construction commenced on Upper Howell reservoir. Water rights of Rundell Creek purchased. Part of present office building location purchased.  
 1878. Upper Howell reservoir completed.  
 1881. Lower Howell reservoir constructed.  
 1882. Seven-mile reservoir enlarged and wood flume replaced in part by concrete.  
 1886. Additional land purchased at site of present office building and a pumping station erected.  
 1887. Lawsuit with Los Gatos Manufacturing Company affecting method of diverting water compromised. Water rights and lands of the Saratoga and Licks Mill Paper Company at Saratoga purchased. Howell reservoir enlarged. Water rights on Saratoga Creek purchased.  
 1888. Flume from Jones dam to Tisdale reservoir reconstructed.  
 1889. Dam at Lake Ranch reservoir raised. Additional waters of Saratoga Creek filed upon for use of Saratoga. Site of Cambrian reservoir purchased. One half interest in "Los Gatos Waterworks" purchased from the Los Gatos Manufacturing Company.  
 1890. Cambrian reservoir built.  
 1892. Land purchased on Los Gatos Creek for protection of its waters. Ousley reservoir site purchased. Williams reservoir site purchased.  
 1893. Additional land purchased at Howell reservoir. More land secured on Los Gatos and Cavanaugh creeks to insure purity of the supply.  
 1894. Site of Saratoga reservoir purchased and construction commenced.  
 1895. Santa Clara supply discontinued, owing to construction of municipal waterworks. Holly pumps installed at main station. Additional land for protection of waters of Los Gatos and Cavanaugh creeks purchased. Construction of concrete dam at Williams reservoir commenced.  
 1896. Construction of main pump building finished and wells bored in yard. Coyote Creek land purchased.  
 1897. Buena Vista pump station land purchased.  
 1898. Roberts Springs pump station land was purchased and station constructed. Ousley reservoir built.  
 1899. Properties of Mountain Springs Water Company of Los Gatos purchased.  
 1901-02. Williams reservoir concrete dam raised. Additional land on Los Gatos Creek purchased.  
 1903. Wells bored on Coyote land.  
 1906. Williams reservoir concrete dam raised. Los Gatos consumers services metered. Buena Vista steam station built.  
 1908. Seventeenth-street pump station lot purchased, and one well bored.  
 1909. Pipe line laid from main pump station to central business district of San Jose for fire protection. Another well bored at Seventeenth-street pump station.  
 1910. Three wells bored at Seventeenth-street pump station.  
 1911. Seventeenth-street pump station constructed. Well "A" bored at main pump station.  
 1912. Steel bridge constructed over Guadalupe Creek to carry fire line pipe.  
 1913. Electric pumping station built at Buena Vista station. Three wells bored at Buena Vista. Electric pumping station built at main station and well "N" bored. Water rights of Pacific Gas and Electric Company on Los Gatos Creek purchased. Tisdale electric booster pump built. Three-mile pumping station built.

The sources of supply utilized by the San Jose Water Company may be divided into two classes, surface and subterranean; these in turn being subdivided into storage and run-off yields and yields from infiltra-

tion galleries and deep or artesian wells. The yield from one or more of the pumping supplies is frequently used to augment the gravity supply.

The use of stored water is resorted to only when conditions are such that the yield from other sources is insufficient to meet the consumption, it being held in reserve at other times against such a contingency.

Water is impounded in the following reservoirs:

Williams reservoir, situate near the head waters of Los Gatos Creek and having a storage capacity of-----	51,173,000 gallons
Upper and Lower Howell reservoirs located at the head waters of Rundell Gulch—	
the upper reservoir having a capacity of-----	71,938,500 gallons
the lower reservoir having a capacity of-----	46,477,000 gallons
Lake Ranch reservoir, situate at the head waters of Beardsley Gulch, having a capacity of-----	110,700,000 gallons

The other reservoirs are much smaller and are as follows:

Ousley reservoir -----	2,428,680 gallons
Mountain Springs reservoir-----	4,353,500 gallons
Tisdale reservoir -----	1,868,950 gallons
Seven-mile reservoir -----	5,629,800 gallons
Cambrian reservoir -----	3,385,820 gallons
Three-mile reservoir -----	3,123,350 gallons

In the operation of the system storage water from the Williams reservoir is discharged at Los Gatos Creek, the channel of which is used as a conduit until the Jones dam is reached. Jones dam diverts this flow together with the discharge from Rundell Gulch into a conduit leading to the Tisdale reservoir in Los Gatos. This conduit consists in part of a flume 24 inches by 28 inches, cross section, a portion of which is constructed of wood and a portion of concrete; the balance of the conduit being a pipe 28 inches in diameter.

Storage water from the Howell reservoirs reaches this conduit by means of the channel of Rundell Gulch to its confluence with Los Gatos Creek, whence it is diverted by the Jones dam. Lake Ranch reservoir storage is also conveyed to this conduit by means of the channel of Beardsley Gulch to the lower Beardsley dam, where it is diverted and conveyed in a 12-inch pipe line to the overflow line from the Ousley reservoir, thence to the conduit under consideration.

Besides conveying these storage waters this conduit performs the function of conveying the run-off, directly and indirectly of Cavanaugh and Trout gulches, as well as of such tributaries of Los Gatos Creek as empty into it above the Jones dam. The total capacity of this conduit is about seven and a half million gallons.

Run-off water is collected in Cavanaugh Gulch by means of two diversion dams, one leading directly into a flume tributary to the conduit above referred to, and the other diverting into a 6-inch and 8-inch conduit leading to the Ousley reservoir; the overflow from this reservoir

being conveyed in a 12-inch conduit to the above mentioned conduit to the Tisdale reservoir. Trout Gulch run-off also reaches this conduit by means of a diversion dam and 10-inch and 12-inch conduit.

The run-off from Los Gatos Creek and such of its tributaries as empty into it below the Jones dam, is diverted at the Forbes dam near Los Gatos and conveyed through a pipe to the main conduit from the Tisdale reservoir.

Water from the Ousley reservoir is gravitated directly into the distributing system of the city of Los Gatos, though in times of low water this gravity pressure is augmented by pumping. It can also be used to gravitate water to supply the town of Alma and its vicinity and to increase the supply in the Mountain Springs reservoir, which it feeds by gravity.

The town of Alma derives its supply from the Upper Cavanaugh dam and the Ousley reservoir supply is resorted to only when the run-off from Cavanaugh Gulch is insufficient for this purpose.

The Mountain Springs reservoir derives its supply from Beekwith Springs as a principal source, this being increased by the auxiliary supply from the Ousley reservoir when necessary. Water from this reservoir is gravitated to the Los Gatos distribution system and contiguous county pipe lines, pressure on all of which can be increased by the Almond Grove, Tisdale and Hill well pumping stations acting as boosters.

Tisdale reservoir is the final distributor of the surface supply. Its outlet works are so arranged that water can be delivered directly into the Los Gatos distributing system and into the conduit leading to San Jose. In the latter case the supply gravitates to Seven-mile reservoir which serves as a regulator. After leaving the Seven-mile reservoir the water passes by gravity to the Cambrian reservoir, it being arranged, however, to by-pass this reservoir when desired. From the Cambrian reservoir water is carried in two lines, one of which gravitates to the Three-mile reservoir and the other gravitates directly into the San Jose distributing system by way of Hamilton avenue and Willow street. From the Three-mile reservoir water is pumped into San Jose by way of Johnson avenue and Stevens Creek road.

Correlated with the supply reservoirs and conduits are pumping plants which furnish additional water from wells tapping extensive water-bearing gravels of the Santa Clara Valley.

The Tisdale pumping station is operated by electric power and has a capacity of 600 gallons per minute. This station pumps from Tisdale reservoir into the Los Gatos system, and it may also be used to pump into the Mountain Springs reservoir, using the Los Gatos system as a conduit for this purpose.



The Almond Grove pump station is operated by steam and has a capacity of 350 gallons per minute, and pumps from wells directly into the Los Gatos system.

The Hill wells pump station, a steam plant with a capacity of 350 gallons per minute, pumps water from wells either into the Los Gatos system or into the main supply conduit leading from the Tisdale reservoir to San Jose. It is also arranged to pump water from this conduit directly into the Los Gatos system and from either of the above sources through the Los Gatos system into the Mountain Springs reservoir.

The Roberts pump station is operated by steam and has a capacity of 300 gallons per minute. It pumps into the San Jose supply conduit.

The Three-mile pump station is electrically operated and has a capacity of 1,200 gallons per minute against a pressure of 60 pounds, the working pressure of the San Jose system. It pumps from the Three-mile reservoir into the main supply conduit, the water passing to San Jose either by way of Johnson avenue or Hamilton avenue as required.

The Buena Vista pump station is equipped with both steam and electrically operated pumps and has a capacity of 9,000 gallons per minute. Water is drawn from deep wells by means of small multiple stage turbine pumps placed in the well casing and discharging into a concrete tank from which it is pumped directly into the Tisdale reservoir-San Jose conduit.

The main pump station, located at Santa Clara avenue and River street, is a steam and electric plant in separate units having a total capacity of 12,000,000 gallons in twenty-four hours. Its supply is drawn from a cistern fed by deep artesian wells at the plant, and is pumped directly into the San Jose distribution system.

The Seventeenth-street pump station is electrically operated and has a capacity of 3,000 gallons per minute. It pumps from deep artesian wells directly into the San Jose distributing system. Water is supplied to the pumps by small units in the wells, as at Buena Vista.

The Saratoga reservoir receives its supply by gravity through a conduit leading from the diversion dam in Quito Creek, in Campbell, and this supply is in turn gravitated to the town of Saratoga and to contiguous county pipe lines. This reservoir with its conduits is a system in itself, it having no physical connection with either the San Jose or Los Gatos systems.

The company submits the following financial data for the last six years:

**Receipts.**

Year	Water sales	Miscellaneous	Total
1908 -----	\$153,277 11	\$7,562 95	\$160,840 06
1909 -----	159,900 70	6,890 86	166,791 56
1910 -----	169,442 55	6,856 25	176,298 80
1911 -----	172,400 64	5,504 05	177,904 69
1912 -----	180,676 87	6,256 30	186,833 17
1913 -----	204,283 27	6,992 01	211,275 28

**Operating Expenditures.**

Year	Taxes	Operation	Depreciation	Dividends	Total
1908 -----	\$12,537 89	\$76,186 37	-----	\$67,965 00	\$156,689 26
1909 -----	14,229 79	55,459 49	\$24,038 46	69,759 50	163,487 24
1910 -----	15,363 19	63,158 85	25,484 20	72,163 50	176,169 74
1911 -----	16,445 28	59,330 78	25,648 73	74,096 50	175,521 29
1912 -----	16,492 96	70,403 14	24,343 81	75,000 00	186,239 91
1913 -----	17,429 66	95,681 38	27,914 54	75,000 00	216,025 58

**Comparison.**

Year	Receipts	Expenditures	Surplus	Deficit
1908 -----	\$160,840 06	\$156,689 26	\$4,150 80	-----
1909 -----	166,791 56	163,487 24	3,304 32	-----
1910 -----	176,298 80	176,169 74	129 06	-----
1911 -----	177,904 69	175,521 29	2,383 40	-----
1912 -----	186,833 17	186,239 91	593 16	-----
1913 -----	211,275 28	216,025 58	-----	\$4,750 30

It will be noted herein that in the year 1913 this company shows an apparent loss, after taking care of \$75,000.00 of dividends and \$27,914.50 of depreciation, of \$4,750.30. This loss is, as has been said, only apparent and does not indicate that this company is not getting all that it should from the public, unless either the amount of depreciation or the amount of dividend or both are less than that to which it is entitled.

An analysis of the financial affairs of this company for the six years in question shows that its operating expenses were, in 1913, 45 per cent of its gross revenue; in 1912, 38 per cent of its gross revenue; in 1911, 33 per cent of its gross revenue; in 1910 36 per cent of its gross revenue; and in 1909, 33 per cent of its gross revenue. In 1908 apparently its operating expenses were 44 per cent of its gross revenue, but nothing is taken into consideration in this year for depreciation, and it may well be that the comparatively large expenditure for operation in that year is due to the mixing of capital and proper operation expenditures.

The evidence in the case shows that in the year 1913 extraordinary pumping had to be resorted to by reason of that year being a dry year succeeding several other dry years. Certainly the jump of 7 per cent in operating ratio can not be considered as a normal advance. While it is urged by the company that the drought likewise added to its gross revenue by reason of the furnishing to it of additional consumers, still the history of this company since does not bear out this contention, as will be noted later in this opinion. I am constrained to believe that the percentage of operation expense to gross revenue in the year 1913, which is admittedly, from the evidence, higher than the average, is considerably higher than may be expected in the future. If this percentage were 40, which is in excess of the percentage that has existed in any year in the past by a considerable amount, there would have been a deduction of considerable over \$10,000.00 from its cost of operation. The average per cent for the five years during which depreciation has been computed was 37 per cent, and if this average should be maintained in the future a considerable amount more than the apparent deficit shown could be expected to be earned normally.

As appears from the outline of the property heretofore given, this company serves considerable territory in addition to the city of San Jose itself. However, the conditions are such that if this Commission considers the entire property, the entire expense and the entire revenue of this company within the entire territory served and deduces a rate therefrom, such rate certainly will not be too low for the city of San Jose, and if anything will be too high, due to the well known principle that ordinarily the cost of operation bears a larger percentage to gross revenue where there is a small amount of service in scattered territory than where there is a large amount of service in a populous district.

Messrs. Herrmann and Elliott have presented a valuation on the reproduction less depreciation theory, and have not resorted to the historical method of reproduction. They have used the sinking fund for depreciation.

In determining the water rights of the company they have valued the real estate and the water rights separately. To determine the value of the real estate they have had appraisers who have placed a value upon this property which, in their opinion, would be given by purchasers who desire to use the same for residence purposes. In determining the value of water rights they applied the following rule:

“Apply the water for which the right has been developed to the highest use to which it can be put wherein it competes in open market, and capitalize its estimated net earnings in this use.”

They reach a conclusion that the fair value of all the property of the San Jose Water Company is \$2,719,934.59, segregated as follows:

Structures -----	\$1,539,699 34
Lands -----	493,218 25
Rights of way -----	24,917 00
Development expense -----	212,100 00
Water rights -----	450,000 00

They place a value of \$224,000.00 on the subterranean waters which are pumped from the gravel beds in the Santa Clara Valley and the remainder upon the surface water of Los Gatos and Saratoga creeks.

They accept the valuation given by John A. Hicks, W. L. Atkinson and Edward G. Angel of the lands of this company. These gentlemen appraise the land at the price for which they think the same could be sold in the market for residences and summer home purposes.

It has always been my opinion that water rights held by a public service water company should be considered by a rate-fixing body when it could be shown that such water rights had cost such public service water company something to acquire. However, since the decision of the Supreme Court of the United States in the case of *San Joaquin and Kings River Canal and Irrigation Company vs. County of Stanislaus*, just recently decided, it apparently becomes necessary for the Commission to allow value for the water rights of these companies regardless of the method of acquisition of such rights.

The engineers for this company have found a value of \$450,000.00 for the water rights, independent of the valuation of the lands in the watershed owned by this company. While it does not seem necessary to judge the correctness of this sum of \$450,000.00, for reasons which will hereafter be given, some apparent errors in calculations may be pointed out.

For the irrigation system using the gravity water from the Los Gatos Canyon, Messrs. Herrmann and Ellicott find a water right value of \$213,000.00, based upon an estimated capital cost per acre of less than \$10.00 with annual maintenance, operation and depreciation charges of 80 cents per acre. For a system of this kind these charges seem entirely too low. The average building cost per acre of a large number of irrigation projects is not far from \$40.00, while the United States Reclamation service has built none at so low a cost as \$25.00 per acre. There are no similar or comparable projects in this State which have not cost \$25.00 or more per acre.

A study of this question shows that the average cost of maintenance, operation and depreciation on the same systems as outlined above seldom runs as low as \$1.50 per acre, and I know of no like case where a sum less than this amount is required. If the building cost per acre on this proposed irrigation system, as outlined by these engineers, is to be taken at \$25.00 per acre with annual maintenance, operation and depreciation

charges at \$1 50 per acre, the net revenue from 4,000 acres at the rate assumed by the engineers here is \$4,000.00, which capitalized at 6 per cent gives a water right value of \$66,667.00, as compared with \$213,000.00 urged by Messrs. Herrmann and Elliott.

It may also be noted that these engineers place the same value upon underground water in wells as upon gravity water, without regard to the additional cost of pumping, which, of course, under the method here pursued, would have to be capitalized and deducted from the value of the land.

However, I do not believe that this method is fundamentally sound in computing a water right value, if any such sound method exists. I reach this conclusion for the following reasons:

The present users of this water may not be deprived of it in order to put it to another use, and it is not possible to devote it to two uses at the same time. Therefore, we can not presume a return from this water in an irrigation use, capitalize its return, add it to the present investment and demand a greater return from the present and entirely different use than that which this present use is providing or should provide.

The method used here seems to be based largely upon the belief that a monopoly value exists in a regulated public utility, which belief in itself is contradictory. The fundamental principle underlying regulation requires that we do not permit the agency regulated to secure all that it can for its commodity. Regulation is justified on the ground that the agency regulated shall not be permitted to take advantage of the necessities of its patrons. The difference between a rate and the value of the property in this regard is only seeming. The same reason which prohibits a monopoly from imposing the highest rate it can secure from its consumers prevents it from fixing the highest price it can secure upon the elements of its property when they are not sold in competition, because if an agency which is a natural monopoly may be permitted to place a monopoly value upon the elements of its property, then it may legally take the same rate which regulation says it must not take, namely, all the necessities of its patrons will permit it to secure.

Mr. J. R. Ryland, president of the company, estimates the cost of these water rights, independent of the cost of the lands, at \$97,571.60, divided as follows:

San Jose and Los Gatos systems.....	\$85,496 60
Saratoga system .....	12,075 00

If 10 per cent is added to this estimate to cover the cost of abstracts, examination of titles, recording, etc., the results are as follows:

San Jose and Los Gatos systems.....	\$94,046 30
Saratoga system .....	13,282 50

Total .....	\$107,328 80
-------------	--------------

While it is impossible from the evidence to determine with exactness the original costs of the lands, which are appraised by the company's engineers at \$493,218.25, and the rights of way which are appraised at \$24,912.00, still from the statement furnished by Mr. Ryland a general comparison may be made.

Twenty-seven parcels of land, aggregating 3,554.32 acres, acquired from 1895 to 1913, cost the company \$75,634.55, while these same lands are appraised at \$322,820.75. The total land holdings of this company amount to 4,085.5 acres, and hence it will be seen that the lands listed, the cost of which can be ascertained, represented more than 80 per cent of all of the lands of this company, and they will serve to indicate the wide discrepancy between the appraised present value and the cost of these lands. Likewise, reservoir sites costing \$8,475.00, representing 143.26 acres, are appraised at \$25,078.00; and pumping plant sites costing \$4,338.65 are appraised at \$10,568.00.

From this it appears that lands bought between 1895 and 1913 must have increased 427 per cent in value in order to equal the appraisement put upon these same lands by the company.

This company owns 4,045 acres of land in the Los Gatos watershed. Of this 4,045 acres it has purchased 3,554.32 acres for \$75,634.55, and if we can assume that the remaining lands were bought at the same average price, the entire 4,045 acres would have cost this company about \$86,077.00.

The company urges that these lands are necessary to protect the watershed of Los Gatos Creek. This Commission should not, under any circumstances, discourage investment for the purpose of safeguarding the purity of water used for domestic purposes, and any comment I shall make must not be construed as an endeavor on the part of this Commission to induce water companies to be too economical in this regard. However, it would appear that if there are two methods whereby a water company may maintain the purity of its supply, that one which is more economical, provided it is equally effective, should be preferred. And there is another aspect of this question which must not be lost sight of. The engineers of this company estimate the value of the water rights on Los Gatos Creek at something over \$225,000.00, and they estimate the lands at more than \$450,000.00, making a total valuation attributable to this water supply from Los Gatos Creek of over \$675,000.00. It would appear that if we are to follow the method here suggested by the engineers in determining the value of a water right, namely, the amount for which the water will sell in another use, we must assume that the amount for which the water sells represents its entire value, and that in such value will be included all of the elements and all of the instrumentalities that are necessary to produce the water. In other words, if the water is worth \$225,000.00 and the land

in the Los Gatos watershed is necessary to this water supply, then the value of the land is included in the value of the water, and when we value the water and the land separately we have a duplication. The engineers for the defendant, realizing this difficulty, seek to meet it by stating that if this water were to be used for irrigation purposes, in which use they say it is worth \$225,000.00, and not for domestic purposes, the purity of the water would not have to be considered, and they could sell off all their lands in the Los Gatos watershed and still have the same supply of water which they now have, which might be devoted to irrigation purposes even though not protected by the watershed.

The testimony, however, shows clearly, and a knowledge of this subject likewise demonstrates, that the ownership of the protection of the watershed is necessary as well to protect the supply as the purity of the water. Most of the value of the land in question, according to the testimony of the experts, is in its timber and its vegetation, and admittedly it is not very valuable for agricultural purposes. If such land be denuded of its timber and vegetation, experts all agree that not only the purity of the water will be affected, but its supply substantially decreased.

In my opinion it is impossible to determine what part any of the elements plays in producing a supply of water. Admittedly the water right originally had to be purchased away from this land or this company could not own it. And when by purchasing the land the company secures the water, it has by this one act of purchase secured both the water right and the land itself. Not only do I consider there is very substantial duplication produced when we value this land and these water rights separately, but I likewise believe that if the lands were sold off with the right to use the water reserved to the owners of this water system, a very substantial effect would inevitably result upon the market value of the lands themselves. My opinion is that when you buy land which is riparian or otherwise water-bearing, the price which you pay for the land itself as much covers the water as it does the timber or anything else annexed to the realty. This is well known and recognized everywhere, in that land with water has an enhanced value over land without water, and I very much doubt if the summer home owner in the Santa Cruz mountains would give a very substantial price for a site for a summer home in Los Gatos Canyon if the land in such site were denuded entirely of all water rights.

All of the water rights of this company, with 10 per cent allowed in addition for incidentals, cost this company \$107,328.80, while we are safe in assuming that all of its real estate cost it much less than \$100,000.00. So that \$200,000.00 represents a liberal allowance for the original cost of all of the land and water rights of this company which

it now urges should be valued at \$968,135.25 for the purpose of valuation.

While I do not question the integrity or the ability of the engineers in this case, and have a large respect for them both personally and professionally, still I can not for a moment admit the correctness of engineering theories which produce results such as the one here indicated. And while I am not disposed to criticize the gentlemen who made the land appraisals, still on examination they testified that they did not have any record of individual sales of land in this vicinity, and at most their appraisals represent what they thought could be gotten for this land from individual purchasers who desire such land and do not consider the large expense of marketing such lands which, as real estate men familiar with conditions know, represents often a considerable percentage of the price given by the purchasers. While I do not question that individuals might be found who for individual tracts in this watershed would pay the amounts suggested, still I do not for a moment believe that the possibility of such occasional sales should be held as conclusive, or even persuasive, as to the price which could be secured for this entire watershed, particularly when it be recalled that the prices paid by people desiring summer homes in the Santa Cruz Mountains include a right to use water, which right could not be conveyed unless the San Jose Water Company divested itself of a part of its rights to a part of its supply of water.

Assuming that these lands do have a value for the purpose of protecting the purity of the water, it is well to point out that inasmuch as the entire flow is not protected by ownership of lands the value of the protection will thereby be minimized. Besides, in other localities it has been found possible to protect the supply of water by filtering, and it is interesting to compare the conditions that exist where unprotected water is rendered pure by filtration so as to estimate the real value of protection based upon the cost of an alternative method for such protection.

The city of San Diego has in use a filter plant with a capacity of seven million gallons daily, which represents an investment of \$53,000.00. The average daily consumption of the entire system at San Jose during a period of years from 1909 to 1914, does not exceed eight million gallons per day, while the maximum daily consumption has not exceeded during that period fifteen million gallons per day. To augment the gravity supply, the pumping plants are stated to have a capacity of twenty-nine million gallons per day limited by a pumping right of 5.6 million gallons per day. From this data it can be seen that filter plants to handle the Los Gatos Canyon water would cost, compared with the San Diego plant, about \$72,000.00. If \$28,000.00 is allowed in addition to this sum for roads, rights of way, miscellaneous



structures and land for future reservoir sites, a total sum of \$100,000.00 would represent the investment necessary to conserve the purity of this water. This sum of \$100,000.00 allows a considerable amount for appreciation over the \$86,000.00, which is about the sum these lands cost. If we assume the cost of these lands to be \$100,000.00, and the value for the purpose of purifying the water \$100,000.00, and then double this sum and add this to the \$107,329.00 which represents the additional amount which has been expended for water rights secured independent of and in addition to these lands, we will have the sum of \$307,329.00 representing the value of the lands and the water rights of this company.

I have given careful consideration to the defendant's claim to the right to pump subterranean water. There can be no doubt, under the decisions, that the right to pump such water can be acquired by adverse possession, but just what this right is worth is very hard to determine in any particular case. On the reproduction theory of the defendant if, as is urged by the complainant, there is an abundance of water underlying the entire territory here, much more in fact than is necessary to the use of the city of San Jose or the landowners in this vicinity, then an alternative supply could be secured equal to the supply here which is pumped, merely by acquiring other lands and sinking wells. As the engineers have allowed full value for the lands of this company from which the water is pumped, and likewise full value for the wells of the company, it would seem on the reproduction theory, either used historically or as used by the engineers for the defendant, the value of this right to pump is fully covered and would be represented by the cost of acquiring the right to pump elsewhere. It certainly is not possible for this Commission to determine any *right* to the use of water. And the evidence does not at all show that any rights which this company has acquired have in anywise interfered with or subtracted from the rights of landowners both in the city of San Jose and elsewhere. Therefore, while we do not disagree with the contention of counsel for defendant that rights to subterranean water may be acquired by adverse possession nor that consideration should be given to the true value of any property owned by this company in fixing rates, yet from a consideration of all the evidence we can not see that it is at all shown that these rights are worth any more to the defendant company than what it has cost to develop them, and this has been fully allowed in the valuations here considered.

The engineers for the defendant have estimated a "going concern cost" or "development expense" for this system amounting to \$212,100.00. The computation by which this is derived assumes build-

ing an identical plant and is derived by the following method, as set out in the engineers' report:

"The sum of the annual excess in net returns of the existing plant over the comparative plant, in the period of years from the taking to the time when the earnings of the comparative plant are assumed to become identical with those of the existing plant, represents the development expense of the existing plant."

If applied to a fair period and based on accurate data, this method becomes an approximate measure of the amount of losses sustained in bringing the plant to a paying basis. However, it appears that the use of this method by the engineers here does not determine either the actual original amount of such losses or the cost of reproducing the business at this time. A period of six years beginning with the year 1914, is used as necessary to reproduce the business. The period should properly end with the year 1914, and not begin there, in order to determine the cost of reproducing the business at the present time.

I am firmly of the opinion that necessary development cost, which is interest on the idle money in a plant during a reasonable time in which it may reasonably be expected not to be fully productive, is as much a part of the cost of the plant as an expenditure for pipe or right of way. What I mean definitely is this: There is presented a field for the operation of a public utility. It is known that this utility after it is constructed and ready to begin operation can not from the beginning earn a reasonable amount on the investment. A fair degree of wise foresight prepares the business man for these losses in the early days of his business, and if such losses are not to be recouped from earnings after the plant has reached maturity, then the investor can not be expected to make such investments. But this principle does not justify the investment of money in an enterprise that does not give promise of reaching a paying basis within a reasonable time. If the business is well conceived, there will be a uniform approach from the very beginning of the operation of the completed enterprise to a fully paying basis. During the development period, therefore, there will be yearly a decreasing amount of the capital investment which is not returning a reasonable amount, and the interest upon this decreasing amount of idle capital is a part of the cost of the property which must be foreseen and prepared for by the investor and must be allowed by the rate-fixing body.

Estimates of such initial losses during the development period in justice only can be taken in lieu of actual losses which can not be discovered. In other words, the primary evidence in the case of any property is the amount lost during the development period. In the absence of such primary evidence, secondary evidence of necessity must be resorted to. This kind of value is ethical, and represents what the public ought to allow and not necessarily what the public must allow.

Therefore, in each particular case which confronts a rate-fixing body resort should be had to the history of the institution involved, with a view to determining just what the agency in question has actually sacrificed for the public benefit during the early and lean years, and that amount should be considered as proper to be added to the initial capital account, which capital account thus determined at the very moment of maturity of the agency should thereafter be augmented or subtracted from in accordance with the accretions to or the depletions of the capital account subsequently.

By this statement we should not be understood as passing upon the amount of development cost in any particular case, or as saying that any such development cost shall not be off-set by subsequent excessive earnings. It must be understood that each case must be decided on its own facts, and what is said here must be taken in contemplation of the facts that here exist.

Therefore when, as here, we assume a condition such as now exists and assume the building of a water plant to serve the great and prosperous community served by this water company, we assume a condition that can not be; and just as Justice Hughes in the *Minnesota Rate Case* called attention to the fact that it was impossible to presume the railroad in question out of existence for the purpose of determining its present value, so it is impossible here to assume San Jose out of existence, and during the six years assumed here to be the development period to have a water system constructed to serve this great municipality. Such assumptions lead us to a reductio ad absurdum of any reproduction theory which forgets history.

Values may not be created nor subtracted from by the fiat of the engineer or by the caprice of a commission. Values, such as we here consider, namely, bases upon which in justice an earning should be allowed, have small relation to the theoretical reproduction so often urged by engineers of the highest talent and the most scrupulous integrity. Their whole fault is that they have lost sight of the problem in the method and they have become so enmeshed in the web of their own spinning that they lead us, if we will follow them, into conclusions which are both absurd and unjust.

I never write an opinion unless I presumptuously give advice to engineers, which advice, however, it seems to me they need, to the effect that they clear their conception as to what they mean by value and that they understand that the thing they are seeking to arrive at is not value at all in either economic sense of that term, and that value from one point of view urged by one school results before the engineer appraises and utterly independent of his appraisal, while the other conception of value most often urged, namely market value, must, in a regulated industry, result after not only they have made their appraisals but the

rate-fixing body has fixed the rates, and that it is a thing which is the result of rate-fixing and not an element in it.

I would like to give the San Jose Water Company the legitimate development cost which in justice and economy should be recognized, but I can not give it, and I am presented no evidence upon it from the learned dissertations presented to me in this case. As a matter of fact there may not have been any losses, or the legitimate losses during the development period might have been great, but certainly such losses historically considered could not be applied to an agency serving a municipality of the size of San Jose when they occurred, if they occurred at all, when San Jose was little more than a village. The development expense here urged is much greater in all probability than all of the expenditures of this company for every purpose made up to the time it had reached what we may call maturity and was able from its own earnings to thrive and from its own strength to stand alone. All that I am certain of is that the item of \$212,100.00 is exorbitant and tremendously excessive; and it is my opinion from the history which has been presented by the president of this company, that this development cost was so small as to be practically negligible.

Right here, before I overlook it, I desire to express my entire appreciation of the attitude of this company, and particularly of the fair and impartial evidence presented by Mr. Ryland, its president. Seldom have I investigated the affairs of a utility in this State where I have been met with a more ready response in my endeavor to get at the real facts than in this case; and to the counsel for this company, and particularly to Mr. Ryland, its president, this Commission and the citizens of San Jose are indebted for their earnest endeavor to present and not distort the facts.

The history of this company shows that most of its property has been acquired from the rates either by the voluntary foregoing on the part of the stockholders of dividends to which they might have been entitled or from amounts in excess of such legitimate dividends. However, it does appear that in 1869, three years after the beginning of the operation of this company, it paid a dividend amounting to 4 per cent on the cash investment which, at that time, was in the neighborhood of \$100,000.00, which shows that the youngster was at least well on the road toward maturity at this time, and assuming in that year it was entitled to 8 per cent, it lost only \$4,000.00. Assuming that it had secured nothing during the other three years, it had lost only \$24,000.00, making in all a loss during the development period up to that time of \$28,000.00. Apparently from the records the company has never paid more than 6 per cent, and that is the prevailing dividend at the present time, although the records clearly show that from an investment of

\$100,000.00 in 1866 it has stock outstanding of \$1,250,000.00 in 1914 upon which it is able to pay 6 per cent after taking care of depreciation.

As was said early in this opinion, the quantities found by the engineers of the company have been assumed to be correct by the engineers of this Commission. I have proceeded thus for two reasons: *first*, it has taken months for the engineers of the company to make these appraisals; and, *second*, our engineers of necessity can not make the surveys and measurements in all of these large utilities that are necessary to determine the quantities. It is easy, however, by checking at random important items to detect any dishonesty on the part of any engineers, and between honest engineers there is seldom, if ever, any substantial difference of opinion as to the actual amount of the property. In this case I not only had no reason to suspect the engineers of the company of being desirous of exaggerating the quantities, but I had every reason from personal knowledge to believe that they were making every endeavor to reach correct results in this regard.

The main difference which we find here, and which we usually find when we are dealing with competent and responsible engineers, as here, is in the theory and in the methods of arriving at valuations or rather basic amounts upon which earnings may be allowed after the inventory of the actual property is secured.

Messrs. Hawley and Armstrong of the hydraulic department of this Commission, have carefully checked the valuations presented by Messrs. Herrmann and Elliott, assuming, as I have said, their quantities to be correct, and while a substantial difference in the result finally obtained has resulted, about 50 per cent of these differences, both in present value and reproduction cost, are accounted for principally in two items, namely, paving and services.

In computing paving the engineers for the company have allowed for all paving now existing over mains, while the engineers for this Commission have computed only such paving as was actually moved in laying pipe. The Commission has already discussed this question of paving over mains in several cases, and I would have the same to say here as I have already said with reference to development cost. We have uniformly rejected the item for pavement over mains when pavement has been laid down after the mains were put in. It is interesting to note here that the committee of the American Society of Civil Engineers, appointed to report on this question of valuation, has taken the same view on this subject as the Commission has heretofore followed.

In the matter of the service connections, the engineers for the company have computed one unit cost and applied it to all services regardless of their size or manner of installation. It was found possible from the evidence to determine the exact number of each size of services. Computing on this basis and eliminating from the unit cost the esti-

mated cost of corporation cocks (these being included elsewhere) the reproduction cost arrived at by the engineers of the Commission for services is much lower than that computed by the engineers for the company.

The difference existing in the cost of distributing pipes both inside and outside of San Jose is about 13 per cent of the total difference as regards reproduction cost and 15 per cent as regards present value.

A slightly lower average unit cost and a slightly lower overhead charge has been used generally by the engineers of the Commission.

The difference in the steam plant values is caused largely by what seems an error in the determination of the engineers for the company that the age of the large Holly pump in the main steam plant is seven and one half years, while, as a matter of fact, its age is seventeen and one half years.

Original costs were used by both the engineers for the Commission and the engineers for the company where obtainable and these costs, of course, therefore, uniformly agree.

Certain improper items, not substantially changing the result however, were found to be included by the engineers for the company in original cost, and on these being brought to their attention they agreed that such items should be eliminated.

Practically all of the difference in present value between the engineers of the Commission and the engineers for the company is caused by the primary difference in reproduction cost, and while different methods of depreciation have been adopted, the difference in present value resulting from the use of the different methods is practically negligible.

From data furnished by the San Jose Water Company and the city authorities of San Jose the exact amount of paving which was actually removed and replaced in laying mains was found to be 43,633 square feet. Practically all of the mains under this paving are of large size cast iron which were estimated in the reproduction cost to have an estimated useful life of one hundred years, consequently 1 per cent per annum has been allowed and laid aside as the annual depreciation allowance on the sum invested in this paving. The average age of the mains laid under this paving is 5.3 years.

The data collected tabulates as follows:

Removing and replacing 43,633 square feet of paving at 33 cents per square foot.....	\$14,399 00
Adding 20 per cent for overhead the results are as follows:	
Reproduction cost .....	\$17,279 00
Average age .....	5.3 years
Probable useful life.....	100 years
Annual depreciation .....	\$173 00
Total accrued depreciation.....	917 00
Present value .....	16,362 00

I have now discussed most of the controverted items in the valuation presented of the properties of this company. The following table shows in juxtaposition the valuations presented by the engineers of the company and the engineers of this Commission:

Item	Reproduction cost		Present value	
	Commission	Company	Commission	Company
Paving allowance .....	\$17,279	\$77,110	\$16,362	\$53,977
All services except on county pipes.....	67,910	142,428	44,678	125,107
Distribution pipes, inside and outside San Jose .....	614,576	650,670	473,697	510,635
Transmission lines, Los Gatos to San Jose .....	168,807	184,751	95,059	121,309
Both steam plants in San Jose.....	111,567	114,355	74,024	89,183
All electric plants in San Jose.....	77,608	90,471	75,396	89,137
	\$1,057,747	\$1,259,785	\$779,216	\$989,348
Difference .....		\$202,038		\$210,132

The total valuation of \$2,719,934.59 segregated into the various items was pre-ented, as has already been referred to, by the company's engineers. The engineers for this Commission present a valuation of the physical properties of \$1,292,198.00, as against a valuation of the same properties of \$1,539,699.34 by the company's engineers. I have already indicated where the principal differences arise.

The company urges a valuation of \$493,218.25 for its lands; \$450,000.00 for its water rights; \$24,917.00 for its rights of way, and \$212,100.00 for its development expenses. I have already discussed these elements in detail, and have outlined my disagreement with the conclusion of these engineers.

The engineers of this Commission have estimated the value of the lands, real estate and rights of way at \$240,000.00 and water rights in addition thereto of \$107,329.00. I have already indicated wherein it appears to me that a considerably less amount for these items could legitimately be found, but taking into consideration the fact that the engineers of this Commission have recommended a valuation on the inventories made by the engineers of the company over \$1,000,000.00 less than the company's valuation, I do not believe it incumbent upon me further to reduce this amount. It should not be the desire of this Commission, as has often been said, to endeavor to scale down the properties of public utilities to the last dollar, rather the valuations should be liberal when proper economic theories are followed, and always this Commission should endeavor to bring about a result where any agency serving the public should have liberal payment for the sacrifices such agency has made. Neither should the Commission feel that it is its duty when it is dealing with a particularly properous utility to reduce it to

such an extremity that it can not properly perform its duty to the public. Prosperity on the part of the utilities is desirable from every standpoint, and a rate that will bring about such prosperity should always be imposed upon the public; and it is better to have a few cents more on the rate and produce a utility which is able to give good service to the public than to have the lowest rate which may possibly be justified and produce a utility which is continually striving to make both ends meet. This company has no bonded debt and in every way is prosperous, and the people of San Jose and this Commission alike should be pleased at this condition.

The engineers for the Commission estimate that the annual charge for depreciation amounting to \$33,519.00 for the entire system should be allowed, or \$29,505.00 to the city of San Jose; that a maintenance and operation charge of \$80,105.00 should be permitted for the entire area served by this company, or \$72,896.00 for the San Jose area. Our engineers estimate that it will cost somewhat more to carry on this property annually hereafter than is estimated by Mr. Ryland for the company. Mr. Ryland estimated that for the entire system to pay 6 per cent on the capital stock it would be necessary to earn \$195,318.00; while our engineers' estimate is \$211,996.00, which is more than \$16,000.00 in excess of that which Mr. Ryland urges the company should earn.

The Auditing Department of the Commission made a careful check of the books of the company and found that in the year 1909 maintenance and operation proper cost the company \$38,741.69, while the taxes amounted to \$14,341.02. In 1912 maintenance and operation cost \$51,665.87 and taxes \$15,374.12. It is also found that the increase in maintenance and operation charges in three years from 1909 to 1912, was 27.7 per cent, or 9.2 per cent per annum. In 1912, the entire maintenance and operation, as has already been said, was \$51,665.87 and if this is segregated in proportion to the business done, \$44,036.04 would have to be charged to San Jose only. Applying the annual percentage of increase to this amount would give the necessary amount for 1914 for maintenance and operation in San Jose alone of \$52,200.00. If we add to this sum \$18,000.00 for taxes, which is probably more than the taxes will be, the total amount becomes \$70,200.00; and if to this sum is added the cost of the recent appraisal work of about \$10,000.00 distributed over a period of five years, we will have a grand total for 1914 of \$72,200.00.

From an analysis of the rates of this company it is my opinion that it is not securing from the public an amount in anywise substantially more than that to which it is now entitled, if we take the last several years as properly indicative of its income and expenses. However, as pointed out earlier herein, the last few years have been years of excessive



cost by reason of the drought and the consequent excessive pumping costs.

However, as it is impossible to determine accurately the effect of rates in advance and it is likewise impossible to determine just what losses of revenue will be occasioned by years of greater rainfall than those in the immediate past, it may be well not to disturb the rate adjustment here substantially. It is my belief, however—and the records of this office up to the present time bear this out—that the loss in income due to the use of a smaller amount of water by the consumers, if it occurs at all, will be more than compensated for by the saving in cost of operation.

If the valuations contended for by this company were correct, unquestionably the rates would have to be increased, but I believe the values found here by the engineers of this Commission are not only just but liberal; and I think the values found by the engineers for the company, due to their theories, are as they always must be when such theories are indulged, excessive and exorbitant.

It has appeared to me, however, that the municipality itself is not paying enough for the water which it secures, while the people of the city, particularly the small consumers, are paying too much. The result of this malarrangement is that the large taxpayers are relieved from a burden at the expense of the small householders.

In figuring the rates, which in my opinion are just and reasonable, we have imposed a proper rate upon the city and have reduced substantially the minimum, and to some degree the charge per thousand gallons for metered consumers. In applying these rates we have been somewhat hampered by the failure of the company to give absolutely correct statements of the water served.

The company has been installing meters quite rapidly in recent years, and we believe that as fast as it may be done all of the consumers should be metered. An unmetered rate usually is a burden upon the metered consumer. The metering, however, should be charged to capital account, and neither the cost of the meter nor the labor of putting it in should be charged to operation.

I submit the following order:

#### ORDER.

Thomas Monahan, as mayor of San Jose, having complained against the San Jose Water Company, alleging that the rates of said company are excessive and unreasonable; that the minimum rate charged consumers is excessive; that the charge for service connections is excessive; that the charge for installation of meters is unfair and unreasonable; that the charge for the installation and furnishing of hydrants and fire plugs is unfair and unreasonable; and that the practices of the company concerning extensions within the city are oppressive and unreasonable and a hearing having been held and being fully apprised in the

premises, the Commission hereby finds as a fact that the rates and practices of this company (in lieu of which rates are established and practices approved in this order), are unjust, unreasonable or insufficient.

The Commission further finds as a fact that the following rates are just and reasonable rates to be charged by the San Jose Water Company within the city of San Jose:

*Commercial.*

Monthly minimum for 4,000 gallons or less, 90 cents.

Between 4,000 and 10,000 gallons, 20 cents for each thousand gallons.

Between 10,000 and 100,000 gallons, 15 cents for each thousand gallons.

Above 100,000 gallons, 12 cents for each thousand gallons.

*Municipal and county.*

Schools, city hall and other governmental department buildings at commercial rates.

Fire hydrants, owned by the city, per month..... \$1 75

Fire hydrants, owned by company, per month..... 2 25

Parks and lawns, each meter minimum monthly..... 90

All water used, 12 cents per thousand gallons.

Sprinkling—measured by tanks and record by city, 12 cents per thousand gallons.

Sewer flushing—each meter minimum monthly..... 90

All water used, 12 cents per thousand gallons.

The Commission further finds as a fact that the following practices are just and reasonable practices to be followed by this company:

All meters to be paid for and set up at the expense of the company.

All extensions to property line to be made at the expense of the company.

And basing this order on the foregoing findings of fact.

*It is hereby ordered* that the following rates are just and reasonable rates to be charged by the San Jose Water Company within the city of San Jose until the further order of this Commission, and the same are hereby established:

*Commercial.*

Monthly minimum for 4,000 gallons or less, ninety (90) cents.

Between 4,000 and 10,000 gallons, twenty (20) cents for each thousand gallons.

Between 10,000 and 100,000 gallons, fifteen (15) cents for each thousand gallons.

Above 100,000 gallons, twelve (12) cents for each thousand gallons.

*Municipal and county.*

Schools, city hall and other governmental department buildings at commercial rates.

Fire hydrants, owned by the city, per month..... \$1 75

Fire hydrants, owned by company, per month..... 2 25

Parks and lawns, each meter minimum monthly..... 90

All water used, twelve (12) cents per thousand gallons.

Sprinkling—measured by tanks and record by city, twelve (12) cents per thousand gallons.

Sewer flushing—each meter minimum monthly..... 90

All water used, twelve (12) cents per thousand gallons.

*It is further ordered* that the following practices be followed by the San Jose Water Company within the city of San Jose:

All meters to be paid for and set up at the expense of the company.

All extensions to property line to be made at the expense of the company.

*It is further ordered* that the San Jose Water Company shall make all extensions within the city of San Jose, as required, at its own expense on application by any prospective consumer. If, in any event, the company feels that such extension is not justified by reason of excessive expenditure and small revenue, the company may apply to this Commission, and the Commission will determine whether or not such extensions will be made at the expense of the company or of the prospective consumer, or divided between the company and such prospective consumer.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of May, 1914.

---

Decision No. 1535, grade crossing; not printed. See end of volume.

#### DECISION No. 1536.

IN THE MATTER OF THE APPLICATION OF UNITED RAILROADS OF SAN FRANCISCO, E. H. ROLLINS & SONS AND UNION TRUST COMPANY OF SAN FRANCISCO, FOR AN ORDER AUTHORIZING THE EXECUTION OF CAR EQUIPMENT TRUST.

---

Application No. 1076.

*Decided May 22, 1914.*

Applicant petitions the Commission for permission to execute car equipment trust certificates aggregating a total face value of \$378,500.00, for the purposes of securing sixty-five new cars.

*Held*, That the methods pursued by the former officials of applicant in handling the funds in their care amounts to nothing more than a fraud, not only upon the public forced to use an inadequate and unserviceable system, but upon the bond and note holders of such company. Recommendation made that consideration be given to further proceedings with a view of bringing about a readjustment of the financial affairs of applicant.

*Held*, That owing to the immediate need of additional cars, and the fact that the present plan may be considered apart from applicant's general financing, application granted.

**William M. Abbott**, for Applicant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by United Railroads of San Francisco, E. H. Rollins & Sons and Union Trust Company of San Francisco, for an order authorizing the execution of a car equipment trust, and authorizing United Railroads of San Francisco to guarantee the payment of certain trust certificates to be issued thereunder.

United Railroads of San Francisco is in immediate need of sixty-five cars for use on its street car system in the city of San Francisco. The cost of these cars is shown by the evidence to be \$365,000.00, but being unable to purchase these cars direct, the railroad company proposes to enter into an agreement whereby the firm of E. H. Rollins & Sons will advance the purchase price, the title of the cars to be placed in Union Trust Company of San Francisco, and said trust company will issue certificates with these cars as security, in addition to which the United Railroads is to guarantee the payment of these certificates. United Railroads is to repay the money advanced in installments as follows: \$3,000.00 on the execution of the agreement; \$75,000.00 thereafter on a date not yet fixed, and \$30,000.00 a year for ten years.

E. H. Rollins & Sons are to receive a commission for their services in this behalf, and the railroad company is to pay interest on the \$300,000.00 of certificates at the rate of  $5\frac{1}{2}$  per cent per annum. These certificates will mature serially in equal installments of \$30,000.00 a year.

There is no question but what these cars are urgently needed. Representatives of the city of San Francisco appeared at the hearing and made strong representations as to the great need for the additional facilities which would be provided by the putting of these additional cars into service. These representatives of the city urged that even more cars were needed than were here provided for, because of the expected enormous increase in traffic which will be brought about by the holding of the Panama-Pacific International Exposition in San Francisco in 1915.

While it is admitted that these and possibly more additional cars are urgently needed at this time, it must also be admitted that instead of borrowing the money to purchase them, the surplus of the railroad company should be available for this purpose, thus avoiding the necessity of paying a considerable rate of interest.

The books of the company on June 30, 1913, show a surplus of \$462,139.24, but investigation discloses that this is not a true surplus and does not represent accumulated earnings. In fact, we are led to believe from investigations thus far made that an exact statement of the railroad's condition would show a considerable deficit.

In this connection attention is called to a financial transaction of this railroad company which materially affects its financial condition, and also shows that there should be no need for borrowing money to purchase these much needed cars at this time.

Of date August 21, 1912, this resolution appears upon the minutes of the board of directors of United Railroads of San Francisco:

"WHEREAS, The board of directors of this company, on the 16th day of August, 1912, unanimously adopted the following resolution:

*Resolved*, That all sums of money hitherto drawn by the president of this company, and all advances hitherto made by him to, or disbursements made on account of, any person or corporation, be and the same are hereby, ratified, approved and confirmed; and be it further

*Resolved*, That the president of this company be, and he is hereby, authorized to draw such further sums and to make such further advances to, or disbursements on account of any corporation, as he may deem for the best interests of this company; now, therefore, be it

*Resolved*, by the stockholders of this company, that the action of the board of directors in the adoption of the above resolution, be, and the same is hereby, ratified, approved and confirmed."

We are informed that Mr. Patrick Calhoun, who was then the president of this railroad company, in his own name subscribed for 49,991 shares of the common capital stock of Solano Irrigated Farms, Inc., and the balance sheets of the United Railroads show that the following amounts were applied from that company's funds to the Solano project:

March, 1913	-----	\$577,815 70
April, 1913	-----	160,000 00
May, 1913	-----	158,900 00
June, 1913	-----	180,000 00
July, 1913	-----	19,400 00

No proof was made to this Commission that any part of this money was actually invested in the so-called Solano project, but we are confronted by the fact that Mr. Calhoun, under authority of the board of directors, and ratified by the stockholders, took from the treasury of applicant \$1,096,000.00, and whether he invested it in the Solano project or not is unimportant in the consideration of this railroad company as a public utility.

It seems that upon the taking of office by Mr. Jesse Lilienthal, the present president of the railroad company, Mr. Calhoun was forced to execute a promissory note for \$1,096,000.00, payable one day after date, in favor of the railroad company, secured by stock of the Solano project; but the judgment of the value of this promissory note is perhaps best indicated by the fact that Mr. Lilienthal immediately wrote this note down in the books of the company as of a value of \$1.00.

We hesitate to put in words a proper characterization of this transaction. In plain terms, Mr. Calhoun took from the funds of this public utility corporation over \$1,000,000.00, when every available dollar was sorely needed properly to increase the facilities of this company so as to serve the community of San Francisco, and at a time when this same company was urging upon this Commission the necessity of issuing further bonds to pay off maturing obligations, and also at a time when admittedly the outstanding obligations could not be paid at maturity by approximately \$20,000,000.00.

United Railroads has been paying, and now is paying, dividends on first preferred stock amounting to \$350,000.00 a year, and these same stockholders apparently joined in the confirmation of the acts of Calhoun in looting the company of this money.

This whole transaction is a fraud, not only upon the public which is dependent upon this utility for its street car service, but also upon the bond and note holders of this utility, because to the extent that money is diverted to improper purposes these creditors are defrauded.

Mr. Calhoun and the stockholders seem to have joined in this act of plunder, and this being so, the stockholders while having the right to be generous, have not the right to be generous at the expense of the public and the creditors, and the stockholders should either voluntarily or by force enter into a scheme of procedure for the future which will divert to the payment of its obligations and the proper maintenance of service, every available dollar, even though this would mean the foregoing of dividends for a considerable number of years.

This transaction did not come to the attention of the Commission by voluntary statement of the officers of the company, but was discovered through the auditing department of the Commission, and it is the final and convincing proof that drastic measures are necessary to safeguard public interest of this enormously important public utility service. Unless some plan is put in effect which will thoroughly safeguard the revenue of this company so that it will be used for the proper purposes of paying off obligations and producing efficient service, the history of this company indicates that it will proceed with no proper regard for its obligations to the public and its creditors until disaster overtakes its finances, and meantime severe suffering will be caused the public through its failure properly to carry out its functions. We say this realizing that the present president of this company, Mr. Jesse Lilienthal, has given evidence of an intention, so far as he is empowered, to conserve the finances of this company; but attention must be called to the fact that Mr. Lilienthal's tenure of office and his policy are absolutely in the hands of the same stockholders who ratified this peculiar act of Mr. Calhoun in taking this \$1,000,000.00, and it is also a fact that some of the officers who participated with Calhoun are still the officers of this corporation.

It is to be regretted, that we can not accept the known probity of Mr. Lilienthal or his declarations of purpose as persuasive of the fixed policy of this company.

I recommend that immediate and serious consideration be given to further proceedings by the Commission designed to bring about the readjustment of the affairs of this corporation, as the facts set out in the foregoing opinion show to be urgent.

But, as has heretofore been said, the cars proposed to be purchased are urgently needed and there are no available funds with which to purchase the same, and as the proposed scheme of financing this purchase upon the car certificate plan provides adequate security for the money obtained, and as this plan may be considered as separate and apart from the general financing of this corporation, I recommend that the application be granted, and submit herewith the following form of order:

#### ORDER.

Application having been made by United Railroads of San Francisco, E. H. Rollins & Sons and Union Trust Company of San Francisco for an order authorizing the execution of a car equipment trust, and a public hearing having been had, and it appearing to the Commission that said application should be granted,

*It is hereby ordered*, by the Railroad Commission of the State of California, that United Railroads of San Francisco is hereby authorized to enter into an agreement with E. H. Rollins & Sons and Union Trust Company of San Francisco, whereby there shall be purchased for the use of United Railroads of San Francisco, sixty-five cars, at a total cost to the railroad company of \$378,500.00. The railroad company to pay for said cars in installments and to have immediate possession thereof. the title to the same, however, to be placed in Union Trust Company of San Francisco until full payment therefor is made. The trust company is to issue car trust certificates, with these cars as securities, which certificates will bear  $5\frac{1}{2}$  per cent interest, the payment of principal and interest to be guaranteed by the railroad company. Said agreement and contract shall be in the form as shown in Exhibit "A," attached to the application herein and on file with the Commission.

United Railroads of San Francisco shall make report to this Commission immediately upon the execution of the contract herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of May, 1914.

## DECISION No. 1537.

IN THE MATTER OF THE APPLICATION OF SANTA MONICA  
WATER COMPANY FOR AUTHORITY TO ISSUE FIVE  
HUNDRED THOUSAND DOLLARS IN BONDS.

Application No. 1047.

*Decided May 23, 1914.*

Applicant petitions the Commission for permission to issue bonds of the face value of \$500,000.00; \$250,000.00 face value to be exchanged for bonds of a like amount now outstanding, and the balance to pay off certain notes and accounts payable and for additions and improvements to plant.

*Held.* Applicant authorized to issue bonds of the face value of \$257,000.00 to refund bonds now outstanding at par and balance to be sold at not less than 90, proceeds to be used partly to refund a certain note in the sum of \$3,500.00, and the balance for additions when estimated cost thereof has been approved by the Commission.

*Herbert J. Goudge, for Applicant.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This is an application by the Santa Monica Water Company for authority to issue \$500,000.00 of five per cent bonds, to be dated May 1, 1914, and to mature May 1, 1944, and to be secured by a trust deed to Citizens' Trust and Savings Bank of Los Angeles.

It is proposed to use these bonds for the following purposes:

To retire outstanding issue of bonds, dated July 1, 1907-----	\$250,000 00
For additions and betterments to applicant's plant and system	96,073 04
To retire notes payable-----	95,271 62
To pay off accounts payable-----	58,655 34
Total -----	\$500,000 00

Mr. R. C. Gillis, who owns \$333,000.00 of applicant's \$500,000.00 of stock, and who also owns the outstanding issue of \$250,000.00 of applicant's bonds, has made a written proposal to Santa Monica Water Company in which he offers to take the \$500,000.00 of new bonds on the following basis:

\$250,000.00 in exchange for the present outstanding issue of \$250,000.00 of bonds at par.	
Sufficient bonds at 95, on behalf of Santa Monica Land and Water Company, of which Mr. Gillis owns practically the entire capital stock, to liquidate the indebtedness due that company in the sum of-----	\$85,771 62
Enough bonds at 95 to liquidate the applicant's indebtedness to the Bank of Santa Monica and the Boca Land Company, in the total sum of-----	9,500 00
Enough bonds at 95 to liquidate the applicant's outstanding accounts payable in the sum of-----	58,655 34
Enough bonds at 80 to provide for the necessary additions and betterments during the years 1914, 1915 and 1916, in installments in the total sum of-----	96,073 04
Total -----	\$250,000 00



It is stipulated, further, by Mr. Gillis that he shall receive no further commissions beyond the discounts above noted.

Santa Monica Water Company supplies what is termed the North Side of Santa Monica and certain territory lying outside of the city limits, including a foothill section north of San Vicente boulevard, Santa Monica Canyon and the town of Westgate. It is one of four companies serving the city of Santa Monica. The other companies are the Irwin Heights Water Company, the City Water Company and the Ocean Park Water Company.

It is estimated by applicant that Santa Monica has a population of 15,000 persons. In serving 1,750 consumers, the applicant expresses the belief that it has approximately one third of the water patrons of the city. It serves 145 patrons outside of the city limits of Santa Monica.

The water supply is obtained from wells. The water is lifted to an elevation and stored in reservoirs upon the hills. New reservoir facilities are in contemplation. Applicant's plant consists of wells, pumping equipment, purification system, distribution system, services, meters, etc.

Applicant asserts that the value of these properties is \$427,543.00. Among these properties is an eight-foot concrete caisson well with horizontal laterals. It has been drilled to a depth of 142 feet with an outside diameter at the bottom of eleven feet and six inches. The applicant states that this well has been tried out during the last eight years.

The applicant asks that the value of the water produced from this well be established upon the basis of \$1,400.00 per miner's inch for 167 inches. In this way, the applicant assumes a value for its water development of \$233,800.00, and, adding this to its appraisal of its other properties, contends that the value of its plant is \$661,343.00.

At the hearing, applicant asked that additional value be recognized for "going concern."

For the year ending December 31, 1913, Santa Monica Water Company's gross earnings amounted to \$52,083.65. After paying operating expenses, interest, rent, etc., a deficit for the year was reported in the sum of \$8,381.89. For the five-year period from January 1, 1909, to December 31, 1913, applicant's operations resulted in a deficit of \$7,848.89. Applicant reported on its books, however, as of December 31, 1913, a surplus of \$88,663.61. It was explained that \$70,000.00 of this surplus accrued through the donation of a distributing system in a section contiguous to Santa Monica.

It would appear, therefore, that this company has not been earning a sufficient amount to take care of additional obligations. The company's earnings increased from the sum of \$32,257.69 in 1912 to

\$52,984.38 in 1913, chiefly by reason of the installation of meters and the substitution of meter rates for flat rates.

It is estimated on behalf of the applicant that its earnings for 1914 will amount to \$60,000.00; that its operating expenses will not be in excess of \$30,000.00, leaving \$30,000.00 applicable to interest and depreciation. The company estimates that its interest requirements will not exceed \$20,000.00 for 1914.

While such earning power may develop, I do not believe this Commission would be justified in assuming such an earning power as a certainty at this time.

The proposal to refund the outstanding bonds in the sum of \$250,000.00 is based upon the desire of the applicant to make its new issue a first mortgage upon all of its properties. As all of its bonds are now in the hands of its chief stockholder, Mr. Gillis, such a substitution is practicable. I see no reason why this should not be done.

The applicant has asked for authority, also, to issue bonds to provide the sum of \$96,073.04 for the purpose of making such additions and betterments to its distributing system as will be required during the years 1914, 1915 and 1916. It is not the purpose at this time to issue more than are needed for immediate improvements. Some of these improvements calling for large expenditures will be deferred until 1915 or 1916.

The applicant has filed as Exhibit "C" in connection with the application herein its schedule of projected improvements for this three-year period.

At the hearing, it was stated in testimony that the requirements of 1914 would entail the expenditure of only \$2,800.00.

I recommend, therefore, that the applicant be given authority to issue bonds for the required additions and betterments during 1914 in the sum of \$2,800.00.

Among the notes payable listed in the sum of \$95,271.62, appear notes due Santa Monica Land and Water Company, controlled by the identical interests which control the Santa Monica Water Company, amounting to \$85,771.62. There appears also a note of \$6,000.00 due the Boca Land Company for water. This is evidently an operating expense.

I believe for the present the sum due the Santa Monica Land and Water Company may be allowed to remain in its present condition. The relationship between these two corporations makes it inadvisable to authorize an issue of bonds for this purpose at this time.

I shall recommend, therefore, that the applicant be allowed to issue bonds for the purpose of refunding the remaining note payable, which is the note due the Bank of Santa Monica dated December 1, 1912, interest at 7 per cent, for the sum of \$3,500.00.

I find that all applicant's accounts payable, \$22,724.36, are due the Santa Monica Land and Water Company, and I make the same recommendation as to this item as to the notes due the Santa Monica Land and Water Company. Of the remaining accounts payable, in the sum of \$35,930.98, I recommend that such portion thereof as may be properly chargeable to capital account be included within the purposes for which bonds may be issued.

At the hearing, the applicant was requested to segregate its accounts payable, so that the Commission might determine what portion thereof constituted proper capital charges. The desired information has not been supplied and the order herein will, therefore, not authorize bonds to discharge applicant's accounts payable. When the applicant files a proper segregation, showing what portion of its accounts payable are properly chargeable to capital account, a supplemental order will be issued authorizing an issue of bonds to liquidate the indebtedness.

An important consideration which enters into the determination of this matter lies in the established earning power of this corporation.

The petition for an increase in the applicant's bonded debt is made in the face of the fact that the applicant has been operating at a loss over the past five-year period and in the face of the further fact that its deficit for the past year amounted to \$8,381.89.

A restriction upon the issue of bonds, as herein recommended, would require that the Santa Monica Land and Water Company carry for a further time the indebtedness due it, amounting to \$108,495.98. As the chief stockholder in the Santa Monica Water Company controls the Santa Monica Land and Water Company, this arrangement is largely an inter-company affair.

Applicant's attention was directed to certain features in its trust deed which it intends to alter, including the sinking fund and the callable features of its bonds. For that reason, the approval of the trust deed will be withheld until the amended document is filed.

I recommend, therefore, that the application be granted in those particulars noted and denied as to the other features, as indicated.

I submit herewith the following form of order:

**ORDER.**

Santa Monica Water Company having applied to this Commission for authority to issue \$500,000.00 of 5 per cent thirty-year bonds for the purposes as appear in the above opinion, and a hearing having been held, and it appearing that certain items for which the applicant herein proposes to issue bonds are not, in whole or in part, properly chargeable to operating expenses or to income,

*It is hereby ordered* that Santa Monica Water Company be given authority, and it is hereby given authority, to issue its five per cent thirty-year bonds for those certain purposes in the sum of \$257,000.00.

Said authority is given upon the following conditions and not otherwise:

(1) The bonds herein authorized to be issued shall be issued only after this Commission shall have approved an amended trust deed which shall be filed by Santa Monica Water Company.

(2) Said bonds shall be issued for the following purposes and not otherwise:

(a) In exchange for \$250,000.00 of applicant's outstanding bonds dated July 1, 1907-----	\$250,000 00
(b) To provide for additions and betterments to applicant's plant -----	2,800 00
(c) To retire a note due Bank of Santa Monica, dated December 1, 1912, with interest at 7 per cent-----	3,500 00
	<hr/>
	\$256,300 00

(3) The bonds in the sum of \$250,000.00 to be issued in exchange for other bonds shall be issued at par, bond for bond.

(4) All other bonds shall be sold by applicant so as to net not less than 90 per cent of the par value thereof, plus accrued interest.

(5) The bonds in the sum of \$2,800.00, to be used by applicant for additions and betterments, shall be applied to such additions and betterments as shall be hereafter approved by this Commission upon the filing of such list of additions and betterments, with the estimated cost thereof, by the applicant herein.

(6) Applicant shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(7) The authority hereby given to issue such bonds shall apply only to bonds issued by Santa Monica Water Company on or before January 1, 1915.

(8) The authority herein given is conditioned upon the payment of the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of May, 1914.

Decision No. 1538, grade crossing; not printed. See end of volume.

DECISION NO. 1539.

IN THE MATTER OF THE APPLICATION OF COACHELLA VALLEY ICE AND ELECTRIC COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING THE EXERCISE OF RIGHTS AND PRIVILEGES UNDER A FRANCHISE GRANTED BY RIVERSIDE COUNTY AND A PERMIT GRANTED BY IMPERIAL COUNTY.

---

Application No. 1074.

*Decided May 23, 1914.*

---

Applicant granted a certificate of public convenience and necessity authorizing it to exercise franchise rights, granted by the counties of Riverside and Imperial, authorizing the construction of an electric transmission line from Banning to El Centro.

W. F. Holt, for Applicant.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application under the provisions of section 50 of the Public Utilities Act for a certificate declaring that public convenience and necessity require the exercise by applicant of the rights and privileges granted by Ordinance No. 118, adopted by the board of supervisors of Riverside county on March 18, 1914, and by a resolution adopted by the board of supervisors of Imperial County on March 3, 1914. A certified copy of this ordinance and this permit are attached to the petition herein.

Applicant has ordered practically all the material and is on the point of beginning the construction of a 5,500-volt transmission line for the transmission of electric energy from a contemplated connection with a transmission line of the Southern Sierras Power Company at or near Banning, Riverside County, to El Centro, Imperial County, to a substation to be there erected by Holton Power Company. The latter company will thence distribute the electric energy to its patrons in Imperial County. Applicant expects also to construct a distributing system in the Coachella Valley, in Riverside County, and to supply electric energy for lighting and power purposes to the inhabitants of the valley. For details concerning the plans and financing of the Coachella Valley Ice and Electric Company see Decision No. 1135, rendered by this Commission on December 13, 1913, in Application No. 839, being the application of Coachella Valley Ice and Electric

Company for an order authorizing the issue of bonds of the face value of \$300,000.00 and of Holton Power Company to guarantee the principal and interest of said bonds (Vol. 3, Opinions and Orders of Railroad Commission of California, p. 1059).

Ordinance No. 118 of the board of supervisors of Riverside County grants to Coachella Valley Ice and Electric Company, for the period of fifty years, the right to operate and maintain wires for the purpose of transmitting and conducting electricity and electric energy across all public roads and highways, and to construct, operate, and maintain an electric pole and wire system for the purpose of conducting, transmitting and distributing electricity and electric energy for light, heat and power upon and along all public roads and highways, lying east of the San Bernardino base and meridian, in Riverside County, outside of incorporated cities and towns, and to distribute electricity for lighting, heating, power and all other purposes in said portion of Riverside County. The ordinance contains the usual provisions of the Broughton Act, including a provision for the annual payment to the county of 2 per cent of the gross receipts after five years. No electric utility is now distributing electric energy in the portion of Riverside County which applicant desires to serve.

The resolution of March 3, 1914, of the board of supervisors of Imperial County grants to Coachella Valley Ice and Electric Company the right to construct and maintain an electrical transmission line over and across the public roads and highways of Imperial County, crossing the following line of survey: Beginning at the northeast corner of the city of El Centro, thence on private right of way north along the west side of the main north and south road at that point for a distance of eleven miles; thence east one and one half miles; thence north to a point at Imperial Junction on the north side of the main line of the Southern Pacific Railroad Company; thence northwesterly to a point near the northwest corner of section 6, township 9 south, range 12 east, San Bernardino meridian.

The resolution contains provisions for the method of construction of the transmission line and provides that Imperial County shall have the right to alter the location of the line. Applicant will use this permit solely for the purpose of transmitting electric energy to Holton Power Company's substation in or near El Centro, and not for the distribution of electric energy in Imperial County.

The public hearing on this application was held in Redlands on May 20, 1914. The evidence shows that the construction of applicant's proposed transmission line will be of great advantage to Imperial County in that it will insure a better and more dependable source of electric energy than now exists and that it will be of material service to that portion of Riverside County which lies east of the San Bernar-

dino meridian, where no electric energy is now being distributed. I find that public convenience and necessity require the exercise by applicant of the rights and privileges granted by the foregoing ordinance and resolution and submit herewith the following form of order:

**ORDER.**

Coachella Valley Ice and Electric Company having applied to the Railroad Commission for a certificate that public convenience and necessity require the exercise by said company of the rights and privileges granted by Ordinance No. 118 of the board of supervisors of Riverside County and the resolution of March 3, 1914, of the board of supervisors of Imperial County, referred to in the opinion which precedes this order, and a public hearing having been held on said application, the Railroad Commission hereby finds that public convenience and necessity require the exercise by Coachella Valley Ice and Electric Company of the rights and privileges conferred by said ordinance and said permit, and the performance of construction work thereunder.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of May, 1914.

---

**DECISION No. 1540.**

**IN THE MATTER OF THE APPLICATION OF LONG BEACH CONSOLIDATED GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF SIXTY THOUSAND DOLLARS AND PREFERRED STOCK OF THE PAR VALUE OF ONE HUNDRED AND FORTY THOUSAND DOLLARS.**

---

**Application No. 1094.**

***Decided May 23, 1914.***

---

Applicant authorized to issue bonds of the face value of \$60,000.00 and preferred stock of the par value of \$140,000.00, bonds to be sold at not less than 95 and stock at not less than 80, proceeds to be used to pay off certain promissory notes now outstanding aggregating \$108,000.00 and the balance, so far as applicable, to discharge accounts payable.

***H. H. Trowbridge***, for Applicant.

## REPORT OF THE COMMISSION.

THIELEN, *Commissioner*.

This is an application for an order authorizing the issue of bonds of the face value of \$60,000.00 and preferred stock of the par value of \$140,000.00.

Applicant was incorporated in July, 1910, and shortly thereafter bought the property of the Long Beach Inner Harbor Gas Company and the gas properties of the Southern California Edison Company in Long Beach, Los Angeles County. The former company had theretofore acquired the property of the Long Beach Gas Company, which was a competitor in the gas business at Long Beach. There had thus been three companies, all competing strenuously in the gas business in Long Beach—the Long Beach Inner Harbor Gas Company, the Long Beach Gas Company, and the Southern California Edison Company, all of which, in so far as the gas business is concerned, have now become amalgamated in the present applicant.

Applicant's authorized capital stock consists of 15,000 shares of the par value of \$100.00 each, of which 5,000 shares are preferred stock and 10,000 shares common stock. Of the stock so authorized, preferred stock of the par value of \$85,000.00 and common capital stock of the par value of \$675,700.00 has been issued. No dividend on any stock, preferred or common, has ever been declared.

Applicant has an authorized bond issue of \$1,000,000.00, 6 per cent, thirty-year gold bonds, secured by deed of trust or mortgage of all its property to Los Angeles Trust and Savings Bank. Of the bonds so authorized, bonds of the face value of \$433,000.00 have been issued.

Applicant paid for the properties of its predecessor corporations as follows:

To Long Beach Inner Harbor Gas Company :	
Bonds -----	\$135,000 00
Common stock -----	250,000 00
To Southern California Edison Company :	
Bonds -----	\$165,000 00
Common stock -----	425,000 00
Preferred stock -----	85,000 00

Mr. R. H. Ballard, applicant's first vice-president, testified that at the time these properties were taken over by applicant, an inventory and appraisal showed their value, including all duplications, to be between \$450,000.00 and \$460,000.00. Subsequent to this time, applicant claims to have spent \$306,397.34 on extensions and additions to its properties. Of this amount, \$126,500.00 was derived from the sale of \$133,000.00, face value, of bonds at 95 to E. H. Rollins & Sons at various times, and the remainder was nearly all secured from borrowed money, now evidenced by notes payable, and from open account.



Attached to the petition herein is a report prepared by Mr. H. W. Burkhart giving an estimate of the cost to reproduce and the depreciated reproduction value of applicant's properties as of November 1, 1913, the summary being as follows:

**Summary of Inventory and Appraisalment of Property of the Long Beach Consolidated Gas Company, as of November 1, 1913.**

Items	Primary cost	Overhead	Cost to reproduce	Depreciation	Present value
Production capital ..	\$163,671 14	\$25,634 84	\$189,305 98	\$13,022 02	\$176,283 96
Distribution capital ..	458,960 40	86,660 53	545,620 93	81,341 75	464,279 18
Working capital .....	15,000 00	-----	15,000 00	-----	15,000 00
Totals .....	\$637,631 54	\$112,295 37	\$749,926 91	\$94,363 77	\$655,563 14

At the hearing, applicant presented, through Mr. Burkhart, a revised report, a summary whereof reads as follows:

**Summary of Inventory and Appraisalment of Property of the Long Beach Consolidated Gas Company, as of November 1, 1913.**

Items	Primary cost	Overhead	Cost to reproduce	Amount of depreciation	Present value
Production capital ..	\$155,055 15	\$25,853 68	\$190,908 83	\$5,913 62	\$184,995 21
Distribution capital ..	458,950 40	86,650 52	545,600 92	58,904 65	486,696 27
Working capital .....	15,000 00	-----	15,000 00	-----	15,000 00
Totals .....	\$639,005 55	\$112,504 20	\$751,509 75	\$64,818 27	\$686,691 48

The chief difference between these two reports is that in the first report depreciation is computed in the manner usually followed by engineers, from annuity tables and the straight line method, while in the second report the depreciation is estimated from an inspection of the property.

At the hearing applicant also introduced evidence as to the cost of developing the business. Applicant's witnesses testified that the original books were not available and estimated the cost to develop the business at between \$187,000.00 and \$200,000.00. These estimates were not backed up by figures showing the actual receipts and disbursements, and are most satisfactory. Mere rough estimates of this kind will have very little weight with this Commission. However, it becomes unnecessary to pursue this inquiry further at this time, for the reason that I am satisfied that applicant's property has a value sufficient to justify the issue of the securities now asked for.

For the year ending December 31, 1913, applicant reports earnings and expenses as follows:

Operating revenue .....	\$200,311 92
Operating expense .....	166,914 21
Net operating revenue .....	\$42,397 71
Other income .....	120 78
Total net income .....	\$42,518 49
<i>Deductions:</i>	
Interest on funded debt .....	\$25,480 00
Other interest .....	6,245 75
Uncollectible bills .....	1,507 95
Rent expenses .....	32 85
Non-operating expenses .....	90 15
Amortization of debt discount and expenses .....	223 01
Total deductions .....	\$33,579 71
Surplus for year .....	\$8,938 78

For the year ending February 28, 1914, applicant submits the following general statement:

Operating revenue .....	\$215,074 53
Operating expenses .....	144,502 13
Net operating revenue .....	\$70,572 40
Interest on bonds .....	25,440 00
Available for other purposes .....	\$45,132 40

Applicant's operating ratio, which was 69 per cent for the year ending December 31, 1913, is unusually high.

Applicant now asks authority to issue sixty of its bonds, having a total face value of \$60,000.00, at 95 per cent of their face value and \$140,000.00 of its preferred stock at 80 per cent of its par value, and to use the proceeds, amounting to \$169,000.00 to pay off applicant's outstanding promissory notes, amounting to \$108,000.00, and to pay off, as far as the money will go, applicant's accounts payable, which now total \$69,131.31. Applicant testified that these notes and accounts payable represent expenditures properly chargeable to capital account. Applicant has apparently brought itself within the requirements of its deed of trust with reference to the issue of bonds.

It should be noted that the issue of these bonds and preferred stock will not add to applicant's property. Applicant will simply be enabled to take up its outstanding notes and to pay most of its accounts payable, thus improving its financial condition. While applicant will be taking up 6 per cent obligations by new obligations bearing a higher rate of interest, the relief thereby afforded to applicant would seem to

justify the transaction. Applicant has made no definite arrangement for the sale of the bonds and preferred stock which it desires to issue. The Southern California Edison Company, which controls the applicant through stock ownership, may possibly take the preferred stock. While no dividend has ever been declared, applicant has hopes for a dividend on the preferred stock during the ensuing year.

I find that the purposes for which the proceeds of the bonds and stock herein applied for are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and submit herewith the following form of order:

**ORDER.**

Long Beach Consolidated Gas Company having applied to the Railroad Commission for an order authorizing the issue of its bonds of the face value of \$60,000.00, to bear interest at the rate of 6 per cent per annum, payable semiannually on the first day of November and the first day of May of each year, and the issue of its 6 per cent cumulative preferred stock of the par value of \$140,000.00, for the purposes hereinafter specified, and a public hearing having been held on said application and the Railroad Commission finding that the purposes for which the proceeds of said bonds and stock are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Long Beach Consolidated Gas Company be and the same is hereby authorized to issue its bonds of the face value of \$60,000.00, consisting of sixty bonds of the face value of \$1,000.00 each, numbered 434 to 493, inclusive, said bonds to bear interest at the rate of 6 per cent per annum, payable semiannually on the first days of November and May of each year, secured by deed of trust or mortgage to Los Angeles Trust and Savings Bank, trustee, dated November 1, 1910, and also its 6 per cent cumulative preferred stock of the par value of \$140,000.00, consisting of 1,400 shares of the par value of \$100.00 each, on the following conditions and not otherwise to wit:

1. Long Beach Consolidated Gas Company shall sell said bonds so as to net in cash not less than 95 per cent of their face value and accrued interest, and said preferred stock so as to net in cash not less than 80 per cent of its par value.

2. Long Beach Consolidated Gas Company shall use the proceeds of said bonds and preferred stock only for the following purposes:

(a) To pay off the following promissory notes:

Date	Favor of	Amount	Rate of Interest	Date due
Dec. 10, 1912	Exchange National Bank of Long Beach -----	\$5,000 00	6 per cent	Mar. 10, 1913
Dec. 10, 1912	First National Bank of Long Beach -----	3,000 00	6 per cent	Mar. 10, 1913
Feb. 20, 1913	Southern California Edison Company -----	40,000 00	6 per cent	Feb. 21, 1913
May 28, 1913	Los Angeles Trust and Savings Bank -----	50,000 00	6 per cent	May 29, 1913
Jan. 17, 1914	The National Bank of Long Beach -----	10,000 00	6 per cent	Jan. 18, 1914
		\$108,000 00		

(b) To pay, as far as the proceeds will go, after the payment of the foregoing promissory notes, applicant's accounts payable, amounting on February 28, 1914 to \$69,131.31.

3. Long Beach Consolidated Gas and Electric Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds from the sale of the bonds and preferred stock herein authorized to be issued, and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission, stating the sale or sales of bonds and preferred stock during the preceding month, the terms and conditions of such sale, the moneys derived therefrom and the use and application of such moneys, all as provided in this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. This order, in so far as it authorizes the issue of bonds, shall not become effective until the fee prescribed in section 57 of the Public Utilities Act, as amended, has been paid.

5. The authority hereby given to issue bonds and preferred stock shall apply only to bonds and preferred stock issued prior to June 1, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of May, 1914.

## DECISION No. 1541.

IN THE MATTER OF THE APPLICATION OF THE MIDLAND  
COUNTIES PUBLIC SERVICE CORPORATION FOR AN  
ORDER AUTHORIZING THE ISSUE OF NOTES.

Application No. 1095.

*Decided May 23, 1914.*

Applicant authorized to renew notes aggregating the sum of \$163,269.27 for a period of one year from date of maturity.

A. E. Peat, treasurer and controller of applicant, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

In this application, the Midland Counties Public Service Corporation asks for authority to renew notes in the total sum of \$163,269.27, said notes being more fully described and set forth as follows:

Payee	Date of maturity	Amount
Pacific Hardware and Steel Company-----	July 14, 1914	\$2,180 93
Pittsburg High Voltage Insurance Company-----	July 3, 1914	2,000 00
National Conduit and Cable Company-----	June 23, 1914	12,429 76
First National Bank of Coalinga-----	June 25, 1914	6,500 00
Westinghouse Electric and Manufacturing Company--	May 22, 1914	5,049 34
John A. Roebling's Sons Company-----	June 18, 1914	12,679 99
United States Aluminum Company-----	June 17, 1914	60,000 00
United States Aluminum Company-----	June 12, 1914	18,000 00
Commercial Bank of San Luis Obispo-----	July 1, 1914	10,000 00
John A. Roebling's Sons Company-----	May 24, 1914	10,477 12
J. H. Baxter-----	May 11, 1914	11,240 61
General Electric Company-----	May 22, 1914	3,264 35
Western Electric Company-----	July 16, 1914	3,875 59
Western Electric Company-----	July 15, 1914	2,931 57
Westinghouse Electric and Manufacturing Company--	May 13, 1914	2,640 01
Total -----		\$163,269 27

A public hearing was held on this application at Los Angeles, California, on May 15, 1914, at 2 p. m.

The testimony showed that the proceeds of all of these notes were used for additions and betterments, except the note to the Commercial Bank of San Luis Obispo for \$10,000.00, due July 1, 1914, which note was taken over by applicant incidental to the purchase of the various properties which now compose the Midland Counties Public Service Corporation, which was formed by the consolidation of the Coalinga Water and Electric Company, Midland Counties Gas and Electric

Company, Paso Robles Light and Water Company, and Russell Robison Water and Electric Company.

Under the original articles of incorporation, the stock of this company consisted of: \$1,500,000.00 common, and \$500,000.00 preferred.

On April 4, 1914, amended articles of incorporation were filed with the Secretary of State (certified copy of which was attached to the application herein), by which amended articles of incorporation the stock of applicant was reclassified to: \$1,000,000.00 common, and \$1,000,000.00 preferred.

A complete financial statement in detail, as required by the rules of the Railroad Commission, was filed with the application herein, together with a table showing expenditures by applicant under approved estimates as of March 31, 1914, with balance sheet.

Applicant is paying no dividends beyond 6 per cent on \$500.00 worth of preferred stock, or \$30.00 per year, and all of its net earnings are being devoted to the payment of its bond interest or for the upbuilding of its properties.

It is apparent that the only question which requires consideration in passing upon the present application is as to whether the proceeds received from the notes which it is herein sought to renew were applied for additions and betterments, and, as above stated, the testimony showing that such application of the proceeds of these notes was made, with the exception of the note for \$10,000.00 to the Commercial Bank of San Luis Obispo, which note represented a part of the purchase price of applicant's property, and the financial condition of applicant and its manner of conducting its business justifying the granting of the application to renew said notes, I find as a fact that applicant should be granted such permission, and recommend the following order:

**ORDER.**

The Midland Counties Public Service Corporation, a corporation organized under the laws of the State of California, and having its principal place of business in the city of Los Angeles, county of Los Angeles, State of California, having applied to this Commission for permission to renew certain notes for the period of one year next succeeding the due date of each note, and it appearing that the proceeds of these notes were used in such manner as to justify the renewal thereof, as prayed for,

*It is hereby ordered* that the Midland Counties Public Service Corporation be and it is hereby granted permission to renew the following

notes and each of them for one year from the next succeeding due date of each note, at the rate of interest which said notes now bear:

Payee	Date of maturity	Amount
Pacific Hardware and Steel Company.....	July 14, 1914	\$2,180 93
Pittsburg High Voltage Insurance Company.....	July 3, 1914	2,000 00
National Conduit and Cable Company.....	June 23, 1914	12,429 76
First National Bank of Coalinga.....	June 25, 1914	6,500 00
Westinghouse Electric and Manufacturing Company..	May 22, 1914	5,019 34
John A. Roebling's Sons Company.....	June 18, 1914	12,679 99
United States Aluminum Company.....	June 17, 1914	60,000 00
United States Aluminum Company.....	June 12, 1914	18,000 00
Commercial Bank of San Luis Obispo.....	July 1, 1914	10,000 00
John A. Roebling's Sons Company.....	May 24, 1914	10,477 12
J. H. Baxter.....	May 11, 1914	11,240 61
General Electric Company.....	May 22, 1914	3,264 35
Western Electric Company.....	July 16, 1914	3,875 59
Western Electric Company.....	July 15, 1914	2,931 57
Westinghouse Electric and Manufacturing Company..	May 13, 1914	2,640 01
<b>Total .....</b>		<b>\$163,269 27</b>

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of May, 1914.

#### DECISION No. 1542.

IN THE MATTER OF THE APPLICATION OF THE CONSOLIDATED SECURITIES COMPANY FOR LEAVE TO ISSUE TWO PROMISSORY NOTES TO THE ORANGE COUNTY SAVINGS AND TRUST COMPANY, IN THE AGGREGATE PRINCIPAL AMOUNT OF TEN THOUSAND DOLLARS.

Application No. 1129.

*Decided May 28, 1914.*

Applicant authorized to execute two promissory notes, aggregating the sum of \$10,000, proceeds to be used for other than public utility purposes.

W. J. Williams, for Applicant.

#### REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application for an order authorizing the issuance of two promissory notes, one for the principal sum of \$7,000.00 and the other

for the principal sum of \$3,000.00, both notes bearing interest at the rate of 7 per cent per annum, and payable two years after date.

Applicant is engaged principally in the business of buying and selling real estate, but owns and operates certain small utility properties as a part of its business.

The purpose of issuing the promissory notes above specified is to re-adjust encumbrances of certain real property now owned by applicant, and which is not used in any public utility business. It is proposed to secure the payment of said promissory notes by executing a trust deed for certain real property described in the application.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

Application having been made by Consolidated Securities Company for an order authorizing the execution of two promissory notes for the principal sum of \$7,000.00 and \$3,000.00, respectively, and to encumber certain real property as security for the payment of said notes, and a public hearing having been had, and it appearing to the Commission that the money to be realized from the issuance of said notes will not be used in any public utility business, and the property to be encumbered as the security for the payment of said notes is not now used in any public utility business, and it appearing to the Commission that said application should be granted,

*It is hereby ordered*, by the Railroad Commission of the State of California, that Consolidated Securities Company is hereby authorized to issue a promissory note in favor of Orange County Savings and Trust Company for the principal sum of \$7,000.00, payable two years after date, with interest at the rate of 7 per cent per annum, and a promissory note to Orange County Savings and Trust Company in the principal sum of \$3,000.00, payable two years after date, with interest at the rate of 7 per cent per annum; and said Consolidated Securities Company is further authorized to execute a trust deed conveying the following described property as security for the payment of said promissory notes, to wit: Lots 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14 and 15, in Tract No. 1576, being a subdivision of a portion of lot 2 of the Hunter Subdivision of a part of the Rancho San Rafael, of Los Angeles County.

Immediately upon the execution of said promissory notes, report shall be made to this Commission; but no accounting need be made of the proceeds from the issuance thereof if none of said proceeds are used in the operation of any public utility business.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.



## DECISION No. 1543.

IN THE MATTER OF THE APPLICATION OF SOUTHERN  
COUNTIES GAS COMPANY OF CALIFORNIA FOR AP-  
PROVAL OF AGREEMENT CANCELLING ESCROW AGREE-  
MENT OF MARCH 9, 1911.

---

Application No. 1134.

*Decided May 28, 1914.*

---

*Wilson & Wilson, for Applicant.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

Southern Counties Gas Company of California having applied for the approval of this Commission of an agreement made on October 6, 1913, between Southern Counties Gas Company of California and Los Angeles Trust and Savings Bank, which agreement cancelled an agreement made on March 9, 1911, between the same parties, by which it was agreed that the preferred stock of Southern Counties Gas Company of California should be placed in escrow with Los Angeles Trust and Savings Bank, to be issued only in accordance with the conditions specified in said agreement; and it appearing that of the \$500,000.00 par value of preferred stock of applicant, preferred stock of the par value of \$340,000.00 has been issued under the terms of this agreement and preferred stock of the par value of \$160,000.00 still remains in the hands of Los Angeles Trust and Savings Bank; and it appearing further that all of the holders of the preferred stock now issued have consented to the cancellation of the escrow agreement of March 9, 1911; and it appearing further that Southern Counties Gas Company of California does not desire at this time to issue any preferred stock, but merely to transfer from Los Angeles Trust and Savings Bank to the treasury of applicant preferred stock of the par value of \$160,000.00 which has not been issued, and inasmuch as the consent of this Commission must be obtained prior to the issuance of any of this preferred stock after the same has been placed in the treasury of applicant,

*It is hereby ordered* that the agreement made on October 6, 1913, between Southern Counties Gas Company of California and Los Angeles Trust and Savings Bank, cancelling an escrow agreement between the same parties made on March 9, 1911, be, and the same hereby is, approved.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

## DECISION No. 1544.

IN THE MATTER OF THE APPLICATION OF HALF MOON  
BAY LIGHT AND POWER COMPANY FOR PERMISSION TO  
ISSUE A CERTIFICATE OF STOCK IN EXCHANGE FOR A  
PROMISSORY NOTE.

---

Application No. 1168.*Decided May 28, 1911.*

---

Application of the Half Moon Bay Light and Power Company for permission to issue nineteen shares of its capital stock in lieu of certain stock issued without the consent of the Commission, dismissed.

*John O. McElroy, for Applicant.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

Applicant is engaged in the business of manufacturing, generating and distributing gas and electric energy for light, heat and power purposes in Half Moon Bay, San Mateo County, California. Applicant has a capital stock of \$100,000.00 par value divided into 4,000 shares of the par value of \$25.00 each.

In the order of the Commission made on Application No. 166, Half Moon Bay Light and Power Company was authorized to issue all of its \$100,000.00 par value of capital stock so as to net applicant not less than 80 per cent of the par value thereof. (See Vol. 1, Opinions and Orders of the California Railroad Commission, p. 658.)

In the order of the Commission on Application No. 376, Half Moon Bay Light and Power Company was authorized to sell its capital stock in exchange for promissory notes, the term of which should not exceed six months and the rate of interest of which should not exceed 6 per cent per annum. The order expressly provided, however, that no stock so sold should be actually issued until the notes taken in payment therefor had been paid. (See Vol. 2, Opinions and Orders of the California Railroad Commission, p. 160.)

Subsequent to the orders above mentioned applicant issued to J. A. Bloch stock certificate No. 41, representing nineteen shares and received in exchange therefor J. A. Bloch's promissory note for the sum of \$387.50, which note has never been paid. Certificate No. 41 was pledged by J. A. Bloch with the Bank of Half Moon Bay as collateral security for money borrowed by Bloch from the bank. It was necessary for the bank to dispose of this collateral in order to pay off the money due on the loan. Stock certificate No. 41 was, therefore, put up for sale and was purchased by J. L. Debenedetti.

As stock certificate No. 41 was issued contrary to the order of this Commission and without the consent of this Commission, this stock certificate is necessarily void and has no legal validity. Half Moon Bay Light and Power Company has filed the present application asking the consent of the Commission to the issue of a certificate of stock representing nineteen shares, to be substituted for certificate No. 41.

I have made a careful investigation of all the facts surrounding the issue of stock certificate No. 41 in violation of this Commission's order. I find that the issue of this stock is due directly and solely to the negligence of J. J. Gomez, vice-president and general manager of Half Moon Bay Light and Power Company. Mr. Gomez states that he did not know that the order of the Commission required that Half Moon Bay Light and Power Company should issue no stock until notes taken in exchange therefor had been paid. Such a claim, however, does not, in my opinion, justify that this Commission so modify the terms of its former order as to make them correspond to the terms upon which this certificate of stock was illegally issued. Mr. Gomez suggested that the Commission require Half Moon Bay Light and Power Company, in disposing of the remainder of its stock, to net something more than the 80 per cent of the par value required by a former order of this Commission, the amount received in excess of the 80 per cent to be put into a fund which should accumulate until the sum of \$387.50 had been reached, this sum being the amount which is due Half Moon Bay Light and Power Company from J. A. Bloch. I can not countenance such an arrangement. If Half Moon Bay Light and Power Company is able to net more than 80 per cent of the par value of its stock the company should do so, and the entire amount so received should go into the development of the utility, and not into the payment of the obligations owing to the company. I find nothing which would justify the granting of the present application, and accordingly recommend that the application be dismissed.

I submit herewith the following form of order:

**ORDER.**

Half Moon Bay Light and Power Company having applied to this Commission for permission to issue a certificate of stock in exchange for a promissory note, and a hearing having been held thereon and the Commission being duly advised,

*It is hereby ordered* that this application be, and the same is hereby, dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

## DECISION No. 1545.

IN THE MATTER OF THE APPLICATION OF THE LOS ANGELES WAREHOUSE COMPANY FOR PERMISSION TO REFUND ITS PRESENT INDEBTEDNESS NOW EVIDENCED BY NOTE AND SECURED BY MORTGAGE ON ITS REAL PROPERTY.

---

Application No. 1137.

*Decided May 28, 1914.*

---

Application of the Los Angeles Warehouse Company for authorization to extend, for a period of one year, a certain promissory note in the sum of \$150,000.00 now outstanding, or to issue a new note in a like amount in lieu thereof, granted.

**W. E. Brock**, for Applicant.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is an application by Los Angeles Warehouse Company to extend promissory note on which there will become due on June 1, 1914, the sum of \$150,000.00, or to execute a new note for a like sum.

On June 1, 1909, Los Angeles Warehouse Company borrowed \$190,000.00 from Pacific Mutual Life Insurance Company of California, and executed a note therefor, payable in five years, with interest at 6 per cent per annum. This note was secured by a first mortgage on the real property of the warehouse company. There has been paid \$40,000.00 on the principal of this indebtedness, and the balance of \$150,000.00 falls due on June 1, 1914.

Applicant desires to extend this note, or to borrow the money to pay the same, and to execute a new note secured by the mortgage on the same property now mortgaged to the insurance company.

The money obtained upon the issuance of the note to the life insurance company was used to pay for the construction of the warehouse building of applicant.

It appears that applicant's earnings are sufficient to easily pay the interest on this indebtedness, and I recommend that the application be granted, and submit herewith the following form of order:

**ORDER.**

Application having been made by Los Angeles Warehouse Company for an order authorizing the extension of a promissory note, or the execution of a new promissory note, for the sum of \$150,000.00, and a public hearing having been had thereon, and it appearing to the Commission that the money to be obtained from the extension of said note,

or the issuance of a new note, is necessary for the refunding and paying off of the obligations of applicant, and that the proceeds from the extension of said note, or the issuance of a new note, are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* by the Railroad Commission of the State of California that Los Angeles Warehouse Company is hereby authorized to extend for a period of one year from June 1, 1914, that certain promissory note dated June 1, 1909, made to Pacific Mutual Life Insurance Company of California, for the principal sum of \$190,000.00 with interest at the rate of 6 per cent per annum, payable semiannually, and on which said promissory note the sum of \$40,000.00 has been paid, or in lieu of the extension of said note Los Angeles Warehouse Company is hereby authorized to issue a promissory note in the principal sum of \$150,000.00 with interest not to exceed  $6\frac{1}{2}$  per cent per annum, and to secure the payment of said promissory note by executing a mortgage upon the real property of applicant, which said real property is now mortgaged to secure the payment of the promissory note heretofore made to Pacific Mutual Life Insurance Company of California.

This order is made upon the following conditions:

1. If a new note is issued, then there shall be received by applicant the full face value of said note, and the proceeds thereof shall be used only for the purpose of paying off the indebtedness represented by the note dated June 1, 1909, made to Pacific Mutual Life Insurance Company of California.

2. Immediately upon the extension of the existing note, or the execution of a new note, as above authorized, applicant shall report to this Commission the full detail of such transaction.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

## DECISION No. 1546.

IN THE MATTER OF THE APPLICATION OF THE MOUNT KONOCTI LIGHT AND POWER COMPANY FOR AN ORDER VACATING AND SETTING ASIDE A PORTION OF AN ORDER HERETOFORE MADE AUTHORIZING THE ISSUANCE OF A CERTAIN PROMISSORY NOTE OF SAID CORPORATION UNDER THE PROVISIONS OF SECTION 52 OF THE PUBLIC UTILITIES ACT OF THE STATE OF CALIFORNIA.

---

Application No. 1120.

*Decided May 28, 1914.*

---

Applicant applies for an order annulling a prior order of the Commission authorizing the execution of a promissory note so as to permit applicant to recover the fee paid in connection with said authorization.

*Held*, As the time limitation placed upon such authorization has expired such order is no longer in effect and can not be annulled, application therefore dismissed.

*William S. McKnight*, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

In this application, applicant, the Mount Konocti Light and Power Company, requests this Commission to annul, vacate and set aside a portion of a certain order heretofore made by this Commission, to wit, the order made under Application No. 422, under which order applicant was granted permission to issue two hundred shares of its capital stock, and also to issue a promissory note for \$5,000.00 due in two years, with interest at 6 per cent.

The permission to issue the promissory note for \$5,000.00 is the portion of the order which applicant now asks to have annulled and set aside.

Applicant states, as its reason for asking to have this portion of said order annulled and set aside, that, at the time said order was issued, to wit, May 9, 1913, the minimum fee made and provided by the Public Utilities Act, to be paid to the State upon the granting, by the Commission, of permission to issue bonds or notes, was \$250.00. That, after paying said \$250.00 to the Commission, applicant realized that said sum was 5 per cent upon the amount of the note which it had asked permission to issue, and, considering the transaction as an expensive method of financing, determined not to, and did not, issue the note.

Thereafter, applicant took the matter of the return of the \$250.00 minimum fee, paid to the Commission, up with the Commission, but, as the matter had been reported and remittance made by the Commis-

sion to the State Treasurer, applicant was requested by the Commission to take the matter up with the State Board of Control to see if the Commission could be authorized to return the fee of \$250.00 to applicant.

Counsel for applicant stated at the hearing of this application that the procedure suggested by the Commission had been followed, but that the Board of Control found no justification for assuming jurisdiction in the matter and authorizing the return of the fee to applicant.

Counsel also stated at the hearing that, at the further suggestion of the Commission, the Attorney General of the State had been consulted, and that applicant had finally concluded to ask the Commission to annul and set aside that portion of the order granted under Application No. 422 authorizing the issuance of the note for \$5,000.00, and that thereafter applicant would endeavor to collect the fee from the State.

Under section 57 of the Public Utilities Act, as amended, the minimum fee to be charged and collected for permission to issue securities is now \$25.00. I am of the opinion that applicant is justified, under all the circumstances of this case, in endeavoring to recover the \$250.00 paid for permission which applicant did not thereafter take advantage of, but the procedure which applicant must take to secure a refund of the fee is something which this Commission feels is beyond its jurisdiction.

The order promulgated under Application No. 422, being the application under which permission was given to applicant to issue the note for \$5,000.00, contained the following clause:

"The authority hereby given to apply only to such stock and to such note as may be issued prior to December 31, 1913."

It is apparent, therefore, that the permission given to applicant under this order has expired by limitation and the Commission can not annul, vacate or set aside an order which is no longer in force and effect.

While sympathizing with applicant in what we believe to be its just endeavor to recover the \$250.00, no course seems open to the Commission but to dismiss this application, for the reasons set forth above, and I recommend that it be dismissed under the following order:

#### ORDER.

Mount Konocti Light and Power Company, a corporation, having applied to this Commission for an order vacating and setting aside a portion of an order heretofore made authorizing the issuance of a certain promissory note;

And the Commission having found that the order, a portion of which applicant now desires set aside and annulled, is no longer in force and effect, having expired by the limitation as to time set forth in said order,

*It is hereby ordered* that the application of the Mount Konocti Light and Power Company to have a portion of said order set aside and annulled be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

DECISION No. 1547.

IN THE MATTER OF THE APPLICATION OF S. WALDO COLEMAN FOR A CERTIFICATE DECLARING THAT THE PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES UNDER FRANCHISES GRANTED BY THE CITIES OF ANTIOCH, MARTINEZ, PITTSBURG AND CONCORD.

Application No. 1037.

*Decided May 28, 1914.*

Application of S. Waldo Coleman for an order declaring that public convenience and necessity require the exercise of rights secured by franchises, authorizing the construction and operation of a gas distributing and manufacturing system in certain districts in Contra Costa County, granted.

**A. F. Bray, for Applicant.**

REPORT OF THE COMMISSION.

**THELEN, Commissioner.**

This is an application under the provisions of section 50 of the Public Utilities Act for a certificate declaring that the present or future public convenience and necessity require and will require the exercise by S. Waldo Coleman, his successors and assigns, of the rights and privileges granted by ordinance of January 12, 1914, of the town of Concord; Ordinance No. 139, of April 6, 1914, of the town of Martinez; Ordinance No. 29A, of April 22, 1914, of the city of Pittsburg, and Ordinance No. 32A of May 18, 1914, of the town of Antioch.

These ordinances are all similar in form and grant to S. Waldo Coleman, his successors and assigns, for the term of fifty years, the right to construct, maintain and operate systems for the manufacture and distribution of gas under, along, and across the roads, highways and public places of the respective grantors. The ordinances contain the usual provisions of the Broughton Act, calling for the payment of 2 per cent of the gross annual receipts after the first five years, and provide that work shall be commenced within not more than four months from the granting of the franchise.



Reference is hereby made to this Commission's opinion and order, Decision No. 1200, rendered on January 15, 1914, in Application No. 905, being the application of Mr. Coleman for a certificate declaring that the present and future public convenience and necessity require the exercise of rights and privileges granted to Coleman by Ordinance No. 130, of the county of Contra Costa. As appears from the opinion therein, Mr. Coleman intends to construct a plant for the manufacture of gas in some convenient location in Contra Costa County, and thereafter to distribute gas from Martinez on the west, thence running southeasterly through Pacheco and Concord, and thence running northeasterly and easterly through Pittsburg, through and including Antioch on the east. This large and growing territory is at present without any gas. Mr. Coleman proposes to form an independent corporation for the supply of gas to all of this territory and has now secured all the necessary franchises from the local authorities.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

S. Waldo Coleman having filed his application for a certificate declaring that the present and future public convenience and necessity require the exercise of the rights and privileges conferred by ordinance of January 12, 1914, of the town of Concord, a copy whereof is attached to the petition herein, and marked "Exhibit A," Ordinance No. 139, of April 6, 1914, of the town of Martinez, a copy whereof was introduced at the hearing and marked "Applicant's Exhibit No. 1," Ordinance No. 29A, of April 22, 1914, of the city of Pittsburg, a copy whereof was introduced at the hearing and marked "Applicant's Exhibit No. 2," and Ordinance No. 32A, of May 18, 1914, of the town of Antioch, a copy whereof was introduced in this proceeding and marked "Applicant's Exhibit No. 3," and that public convenience and necessity require the construction of systems for the production, maintenance and distribution of gas thereunder, it is hereby declared that public convenience and necessity require the exercise by S. Waldo Coleman of the rights and privileges conferred by each of said ordinances and the construction of systems for the manufacture and distribution of gas thereunder.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

## DECISION No. 1548.

OAKLAND, ANTIOCH AND EASTERN RAILWAY  
*vs.*  
NORTHERN ELECTRIC RAILWAY COMPANY.

---

Case No. 514.*Decided May 28, 1914.*

---

Complainant claiming title to certain right of way and trackage thereon petitions the Commission for an order directing defendant to discontinue the joint use thereof. *Held*, That the object of the complaint is merely to secure the Commission's interpretation of a certain agreement between the parties in interest, and that the Commission has no jurisdiction to interpret such contracts, except when incidental to or in connection with its established powers, and the present contract not coming within this class the complaint is dismissed.

*Corbet & Selby and Jesse H. Steinhart*, for Complainant.

*T. T. C. Gregory and G. J. Goodell*, for Defendant.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

The complaint in this case alleges, in part, that complainant, hereinafter referred to as the Oakland, Antioch and Eastern, is the owner and in the possession of a certain railroad and railroad tracks in Yolo County, upon a parcel of land which is specifically described; that complainant is the owner and in the possession of said railroad and railroad tracks, under a certain agreement between that company and Vallejo and Northern Railroad Company, dated January 2, 1913; that by said agreement the Vallejo and Northern Railroad Company transferred to the Oakland, Antioch and Eastern the exclusive possession and ownership of said tracks and railroads and the right exclusively to operate and exclusively to possess the same, in consideration whereof the Oakland, Antioch and Eastern paid to the Vallejo and Northern the sum of \$58,307.00, and in addition thereto, the cost of constructing said tracks and appurtenances; that the defendant, hereinafter referred to as the Northern Electric, claims as assignee of the Vallejo and Northern Railroad Company to own and possess the right to use and that said company is actually using a part of said railroad and tracks jointly with the Oakland, Antioch and Eastern; that the rights and property transferred by the Vallejo and Northern Railroad Company were not necessary and useful to said company, and that they are not now necessary or useful to the Northern Electric. In its prayer the complainant asks this Commission to make an order directed to the Northern Electric to show cause by what right the latter company is operating its cars over said tracks, and that this Commission direct the

Northern Electric to discontinue the use of said tracks and that this Commission construe and hold that the agreement hereinbefore referred to is not an agreement for joint use, and refuse to permit such joint use.

The answer denies that Oakland, Antioch and Eastern is the owner of said railroad and railroad tracks, or is entitled to the exclusive possession thereof, and alleges that the Northern Electric is the owner thereof, and that said company is entitled to the joint possession of said railroad and tracks with the Oakland, Antioch and Eastern. The answer also alleges that on November 13, 1913, the Northern Electric commenced an action in the superior court of this State, in Yolo County, against the Oakland, Antioch and Eastern, referring to these same tracks, and asking that a preliminary injunction issue to enjoin the Oakland, Antioch and Eastern from interfering with the Northern Electric in the use of a certain switch located in the railroad to which the Oakland, Antioch and Eastern refers in this proceeding, and that on November 13, 1913, a restraining order was issued by the superior court against the Oakland, Antioch and Eastern. The evidence shows that prior to the submission of the present proceeding, the superior court of Yolo County issued its writ of injunction, *pendente lite*, as prayed for in the complaint of the Northern Electric. The answer also alleges that the complaint in this proceeding states a cause of action arising out of a contract, and that this Commission is simply being called upon to give a judicial interpretation and construction of the contract, and that it has no jurisdiction to give this relief.

The hearing in this case was held in San Francisco on May 7, 1914. Time was granted for the filing of briefs, which briefs have now come in, so that the case is ready for decision.

In so far as defendant's contention rests on the fact solely that this proceeding involves the construction and interpretation of a contract, or that the cause of action alleged in the complaint arises out of a contract, I can not agree with defendant. This Commission will frequently be called upon to construe contracts and to enforce rights which grow out of contracts. For instance, a complainant may demand that a water utility supply him with water, and in support of his claim he may present what he claims to be a contract with such utility entitling him to service. In such event, it may become necessary for this Commission to construe and interpret the alleged contract in order to ascertain whether the utility has held itself out as serving the complainant, and this Commission may be called upon, in such event, to compel the utility to live up to the obligation which it may have taken upon itself by reason of such contract. In such case, however, and similar cases, the Commission acts because it has jurisdiction over the relationship between the utility and its patrons, present and prospective, and the interpretation is merely incidental to the award of the relief.

In the present proceeding, there is no allegation in the complaint that

the safety of the traveling public or of the employees of these two railroads is in any way being hazarded or that either of the utilities is failing to give adequate service to any of its customers. The Commission is not asked to give relief under any of the heads specified in the Public Utilities Act.

The primary object of the complaint seems to be to secure from this Commission an interpretation and construction of the contract or agreement between the two railroad companies—a matter in which this Commission is not authorized to exercise jurisdiction, except in so far as may be incidentally necessary in connection with some established power or duty of this Commission. As the complainant has failed to bring itself within any such power or duty of this Commission, the complaint must be dismissed.

I submit herewith the following form of order:

**ORDER.**

The above entitled case having been submitted, and being now ready for decision, and the Commission finding that it does not have jurisdiction to grant the relief for which the complainant asks,

*It is hereby ordered* that said complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

-----  
DECISION No. 1549.

IN THE MATTER OF THE APPLICATION OF THE WESTERN  
STATES GAS AND ELECTRIC COMPANY FOR AN ORDER  
AUTHORIZING THE RENEWAL OF PROMISSORY NOTES.

-----  
Application No. 1131.

*Decided May 28, 1914.*  
-----

Applicant authorized to renew, for a period of eleven months, two certain promissory notes of the aggregate face value of \$341,000.00, bearing interest at the rate of seven per cent per annum.

*Chickering & Gregory*, for Applicant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

In this application, applicant, the Western States Gas and Electric Company, asks for permission to renew two promissory notes, one for

\$108,900.00, the other for \$232,100.00, both payable to the Western States Gas and Electric Company, a corporation of Delaware, eleven months after date, bearing interest at the rate of 7 per cent per annum.

These notes were originally given to the Western States Gas and Electric Company, a corporation of Delaware, on June 2, 1913, and were payable May 2, 1914.

As provided in section 52 (b) of the Public Utilities Act of the State of California, said notes were renewed for one month, pending the hearing of this application.

The purposes for which the money was used for which these notes were given are fully set forth in Application No. 995, and the testimony submitted in said Application No. 995, and the order of the Commission therein, are made a part of the records of this application.

The necessity for the renewal of these notes, as shown by the statement of applicant's attorney at the hearing, arises from the present general financial condition, which is such as to render difficult, if not impossible, the ordinary means of financing. This depression is nationwide and by no means confined to California.

Through data filed and testimony taken in various applications heretofore made by this applicant and heard by this Commission, to wit, Applications Nos. 66, 140, and 995, *supra*, in each of which applications permission was asked and was granted for an issue of bonds in various amounts, the Commission has become thoroughly familiar with the financial condition of applicant, and further reference to such financial condition in this application is unnecessary.

The reason moving applicant to ask for permission at this time to renew the notes comprehended in this application is, in my judgment, a good and sufficient one, and I recommend that the application be granted under the following order:

#### ORDER.

Western States Gas and Electric Company having applied to this Commission for permission to renew two notes due the Western States Gas and Electric Company, a corporation of Delaware, said notes being in the amount of \$108,900.00 and \$232,100.00, respectively, payable in eleven months from date, with interest at same rate as present notes bear, to wit, 7 per cent; and the reason given by applicant for desiring to renew said notes, as set forth in the opinion preceding this order, being, in the judgment of the Commission, good and sufficient cause for the renewal of said notes,

*It is hereby ordered* that the Western States Gas and Electric Company be and it is hereby granted permission to renew two notes heretofore given to the Western States Gas and Electric Company, a corpora-

tion of Delaware, for the period of eleven months from date, to bear interest at 7 per cent, one being for the amount of \$108,900.00 and the other for \$232,100.00.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

DECISION No. 1550.

CITY OF NAPA ET AL.

vs.

THEODORE A. BELL AND NAPA CITY WATER COMPANY.

Case No. 575.

*Decided May 28, 1914.*

Complainants allege that the present water service as furnished by Theodore A. Bell in the Alta Heights District of Napa, is inadequate and uncertain, and petitions the Commission to compel the Napa City Water Company, serving the city of Napa, to extend its mains so as to serve this territory.

*Held*, Parties in interest reaching an agreement satisfactory to the Commission subsequent to the hearing, Napa City Water Company directed to construct an eight-inch main to connect with the system now owned by Bell, which system is to be sold to the Napa Company for the sum of \$500.00, the latter company hereafter to serve this district at a minimum rate of \$1.50 per month.

*Wallace Rutherford*, city attorney, for Complainants.

*Theodore A. Bell*, in propria persona.

*H. L. Johnston* and *L. E. Johnston*, for Napa City Water Company.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

In this case the complainants asked for an order directing the Napa City Water Company to extend its water system to that part of the city of Napa which is known as Alta Heights.

The complaint alleges, in part, that the Napa City Water Company is now and for many years past has been engaged in the business of supplying water to the inhabitants of the city of Napa for domestic and irrigation purposes; that prior to September 17, 1913, the petitioners, other than the city of Napa, were living in a subdivision adjacent to the city of Napa, known as Alta Heights; that this subdivision is being promoted by Theodore A. Bell, who constructed a water system therein, in accordance with contract obligations, and has been and now is supplying the purchasers of lots in said subdivision with water at the rate of

\$1.50 per month; that for more than one year the water service of said Bell has been inadequate, and that the water supplied by said Bell has been insufficient to cover more than one half their domestic needs and requirements; that on September 17, 1913, Alta Heights became annexed to the city of Napa, and that it is now a part of the city; that complainants have asked the Napa City Water Company to supply water to them for domestic purposes, but that the company has refused to extend its mains; that the Napa City Water Company has an ample supply of water and equipment for supplying Alta Heights with water; that the city of Napa has directed the Napa City Water Company to supply water for fire purposes by means of two fire hydrants, to be installed in the Alta Heights district, but that the Napa City Water Company has failed to do so; and that all of the petitioners, except the city of Napa, will take water from the Napa City Water Company for domestic purposes if the company's mains are extended into this territory. The complainants ask that this Commission make an order compelling the Napa City Water Company to extend its mains into Alta Heights, and thereafter to furnish water to the inhabitants of Alta Heights for domestic purposes and to the city of Napa for fire purposes.

The answer of Theodore A. Bell alleges, in effect, that he is now furnishing and for some time past has been furnishing water to the complainants, other than the city of Napa, but that he is not a public utility, and that the relationship existing between himself and said complainants is purely of a contractual character; that the water which Bell has developed belongs to him and his predecessors in interest in private ownership, and that no public use has ever attached thereto. Bell also denies that his water service has at any time been inadequate, and alleges that his service has been adequate and sufficient to cover all domestic needs and requirements of the inhabitants of Alta Heights. He avers that the Commission has no jurisdiction over him or the subject-matter of the complaint, and asks that the complaint be dismissed as to him.

The answer of the Napa City Water Company denies that a demand has been made upon the company for the extension of its mains into Alta Heights; denies that the company has refused to extend its mains to Alta Heights; admits that the company has ample water to supply the inhabitants of Alta Heights, but denies that it has any equipment for that purpose; admits that the company has not as yet complied with the city's order with reference to two fire hydrants for the Alta Heights district; alleges that the company's earnings for the last few years have enabled it to pay very small dividends; alleges that the Alta Heights subdivision was laid out in 1906 and consists of 99 lots, on which there are at present but 24 dwellings, of which only 20 are possible patrons of this defendant; alleges that Alta Heights has an elevation of 44.5 feet,

and that the only way to give to its residents an adequate service from the defendant is to construct a pipe line from a point on the main county road leading from the city of Napa to Foss Valley, where the defendant's present mains cross the road, and running thence in a southerly and easterly direction along the county road and East street to Alta Heights, together with a 4-inch distributing system in the various streets of Alta Heights; and alleges that the cost of this work will be \$8,000.00 and that the annual revenue would not be in excess of \$336.00. The defendant alleges that it is at all times ready to make all necessary extensions to supply the inhabitants of the city of Napa with water for household and domestic purposes and for irrigation, when it can be shown that the company will receive a revenue equal at least to the fixed charges, but that it does not believe that such revenue can be secured from service to the Alta Heights district. The defendant accordingly asks that it be not compelled to make the extensions as requested in the complaint until it can be shown that the revenue will at least equal the bond interest on the new construction and the expense of operation and maintenance properly chargeable to the new service.

The public hearing in this case was held in the city of Napa on May 22, 1914. The evidence shows that the Alta Heights subdivision was promoted by one Doty and Theodore A. Bell, and that Doty's interest was thereafter conveyed to Bell; that Bell and Doty agreed with intending purchasers of their lots that they would "put in sewer, water, electric light, cement sidewalks four feet wide and grade streets," all of which improvements were to be put in prior to February 1, 1907; that the owners of the tract dug a well and built a tank and laid 2-inch pipes through the streets of the Alta Heights tract, and that by means of a two-horsepower pump water has been pumped from the well into the tank, and that thence it has flowed into the distributing system; that during at least the last two years the service in the summer time has been inadequate; that during considerable portions of the summer an insufficient supply of water has been furnished to Bell's customers, and that during portions of each summer certain of his customers have received no water at all; and that complaints have been made by the Alta Heights people to Bell's agents, but that no relief has been accorded. The evidence also shows that Napa City Water Company serves only one customer in this tract, and that in order to serve the tract adequately, it will be necessary for the company to make a considerable investment. There are some twenty water users on the tract at the present time who are paying \$1.50 per month each. If the water company should install the fire hydrants requested by the city, there would be an additional monthly revenue, which at the hearing was stated to be \$2.00 per month for each hydrant. In the conferences subsequent to



the hearing, I understand that the city has agreed to pay \$2.50 per month for three additional fire hydrants.

The evidence shows that the inhabitants of Alta Heights district are entitled to some permanent relief. Mr. Bell's attention was directed to the fact that if he is a public utility he is subject to this Commission's power to compel adequate service, and that if he is not a public utility, by reason of the fact that the purchasers of his property have contractual rights against him, he may be liable to suits at law for damages in case an adequate supply of water is not furnished by his system. I suggested at the hearing that Mr. Bell's position is not a very desirable one, and that it might be wise for him to turn over his distributing system to the Napa City Water Company, so as to relieve himself of further responsibility in the premises, and so as to enable the Napa City Water Company to supply water to this tract without the expense of constructing a second distributing system in the streets of the tract.

Considerable evidence was taken as to the feasibility of several alternative methods by which the Napa City Water Company might extend its system to this tract, and the matter was submitted with the understanding that a representative of this Commission's hydraulic department would again come to Napa and make a thorough examination, and that the parties would try to reach an agreement without the necessity of an order from this Commission.

I am glad to be able to say that the parties, as the result of conferences held subsequent to the hearing, have reached an agreement which seems to solve the problem. This agreement has been signed by the Napa City Water Company, Theodore A. Bell and H. F. Clark of this Commission's hydraulic engineering department, and is on file among the records of this case. Under this agreement, the Napa City Water Company agrees to construct an 8-inch cast iron pipe line from a point on the main county road leading from Napa to Foss Valley, where the company's 12-inch main now crosses the road, thence along East street to the crossing of Evans and East streets, in Alta Heights, and also a 4-inch cast iron pipe line from the crossing of Evans and East streets to the crossing of Clark street and Juarez avenue. The water company agrees to purchase, and Bell agrees to sell, the latter's distributing system in the streets of Alta Heights tract for the sum of \$500.00, which is to be paid in bonds of the Napa City Water Company. The water company agrees to proceed at once with the construction of the proposed pipe line and improvements, upon receiving the authority of this Commission. Bell agrees to continue to supply his consumers with water until the Napa City Water Company has completed its construction, and not to use his water supply in competition with the Napa City Water Company in the distribution of water. The Napa City

**Water Company will ask this Commission's authority to issue bonds in a sum not to exceed \$10,000.00 to cover the cost of the proposed improvements, and also this Commission's authority to permit a minimum meter charge of \$1.50 per month for each consumer from its Alta Heights extension until at least fifty consumers are served from the proposed extension.**

**While this Commission can not grant an application until it is presented, I see no reason, from my present understanding of the financial condition of the Napa City Water Company, why this Commission should not authorize the company to issue such bonds as may be necessary to cover the cost of the proposed improvements, and the water company may go ahead with its construction in reliance on receiving from this Commission such order, subject to the usual conditions, unless some unexpected and unforeseen facts should develop at the hearing.**

**The Napa City Water Company's request that it should be allowed to charge a minimum meter rate of \$1.50 per consumer until at least fifty consumers are served from the proposed extension likewise seems reasonable. The consumers at present pay for a very inadequate service the flat rate of \$1.50 per month. If they can now secure adequate and permanent service at this minimum rate, they will certainly be in a much better position than at present. While the Napa City Water Company's rate in the city of Napa, apart from the minimum, is 30 cents per 1,000 gallons, it seems improbable that any of the Alta Heights people will consume an amount of water large enough to necessitate the payment of an amount in excess of \$1.50 per month.**

**A part of the agreement, which, however, does not appear in the written statement on file with this Commission, is that the city of Napa is to be provided with three fire hydrants instead of two, and that it is to pay for these hydrants a rental of \$2.50 per month for each hydrant. It will not be necessary to make an order with reference to the location of these hydrants. I feel confident that, in view of the adjustment which has been reached, the city and the water company will be able to reach a satisfactory agreement on this point.**

**I desire to express my satisfaction on the agreement which has been reached. The Napa City Water Company, which is now to undertake the obligation of serving the Alta Heights tract, has shown a very commendable spirit in aiding to secure a satisfactory and permanent solution of this difficulty.**

**I submit herewith the following form of order:**

**ORDER.**

**A public hearing having been held in the above entitled proceeding, and the case having been submitted and being now ready for decision,**

and the parties having reached the understanding which is embodied in the following order:

*It is hereby ordered as follows:*

1. Napa City Water Company shall construct an 8-inch cast iron pipe line from a point on the main county road leading from Napa to Foss Valley, where the company's 12-inch main now crosses said road, thence along East street to the crossing of Evans and East streets, in Alta Heights, and also a 4-inch cast iron pipe line from the corner of Evans and East streets to the corner of Clark street and Juarez avenue, and after such pipe lines have been constructed and Theodore A. Bell has sold to said company his water distributing system in Alta Heights, Napa City Water Company shall thenceforth supply water for all appropriate purposes to the Alta Heights district.

2. Napa City Water Company shall have the right to charge to its consumers from the pipe lines hereinbefore referred to a minimum meter rate of one dollar and 50/100 (\$1.50) per month per consumer, until at least fifty (50) consumers are served from the proposed extensions. The rate for water apart from the minimum shall be the same as may from time to time obtain in other portions of Napa City.

3. Napa City Water Company shall perform its work as promptly as possible and shall keep this Commission informed with reference to the progress of the work.

It is understood that Theodore A. Bell is to sell his water distributing system in Alta Heights to Napa City Water Company for bonds of said company of the face value of \$500.00, and that until the Napa City Water Company has completed its construction work and is able to serve the Alta Heights tract, Mr. Bell is to continue to serve the tract and to retain the profits from such service.

Application may be made to this Commission by Napa City Water Company for authority to issue such bonds as may be necessary for the purpose of securing the funds with which to make the extensions hereinbefore referred to and to purchase Mr. Bell's distributing system.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

## DECISION No. 1551.

**IN THE MATTER OF THE APPLICATION OF THE CALISTOGA  
ELECTRIC COMPANY FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY.**

---

Application No. 1146.*Decided May 28, 1914.*

---

## REPORT OF THE COMMISSION.

Calistoga Electric Company having applied for a certificate declaring that public convenience and necessity require the exercise by applicant, in that portion of Napa County, State of California, north of an east and west line extending through Bale Station, of the rights and privileges granted by the board of supervisors of the county of Napa in Ordinance No. 81, adopted on May 14, 1914, by which ordinance applicant is given the right to erect and maintain an electrical distribution system over, along, across and upon the roads, highways, public ways and streets of the county of Napa; and the Commission being duly advised in the premises, and being of the opinion that this is not a case in which a public hearing is necessary and that the application should be granted,

*It is hereby declared* that public convenience and necessity require the exercise by Calistoga Electric Company, in that portion of Napa County north of an east and west line extending through Bale Station, of the rights and privileges granted applicant by the board of supervisors of Napa County, State of California, in Ordinance No. 81, adopted on May 14, 1914.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1914.

## DECISION No. 1552.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC GAS AND ELECTRIC COMPANY FOR AN ORDER APPROVING A CERTAIN AGREEMENT ENTERED INTO BETWEEN SAID PACIFIC GAS AND ELECTRIC COMPANY AND CHARLES H. SAWYER.

---

Application No. 1140.

*Decided June 2, 1914.*

---

Application of the Pacific Gas and Electric Company for the approval of an agreement entered into by it with Charles H. Sawyer, in which the latter agrees to pay a minimum monthly charge of \$7.00 on condition that applicant extend its lines so as to serve him with electric energy, granted, until further order of the Commission.

*Charles P. Cutten, for Applicant.*

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

In this application, the Pacific Gas and Electric Company applies to the Commission for the approval of a certain contract entered into between applicant, the Pacific Gas and Electric Company, and Charles H. Sawyer.

As set forth in the application and supported by testimony at the hearing, said Charles H. Sawyer applied to the Pacific Gas and Electric Company for an extension of applicant's electrical distribution line to the premises of said Charles H. Sawyer and for electrical service therefor. The distance which applicant, the Pacific Gas and Electric Company, would be compelled to extend its electrical distribution line, was greater than applicant felt that it should extend free of charge, with which opinion said Charles H. Sawyer coincided.

A contract or agreement was, therefore, entered into between Pacific Gas and Electric Company and said Charles H. Sawyer, by the terms of which the Pacific Gas and Electric Company agreed to extend its electrical distribution line to the premises of said Charles H. Sawyer and to serve said Charles H. Sawyer with electrical energy, upon condition that the monthly payment to the Pacific Gas and Electric Company by said Charles H. Sawyer for such service should not be less than \$7.00 per month.

The contract or agreement also provides that if other customers of the Pacific Gas and Electric Company are hereafter served from the electrical distributing line which is to be built under the agreement for the purpose of serving said Charles H. Sawyer, the amounts paid by such other consumers shall be credited to the amount to be paid by

said Charles H. Sawyer under the agreement, and shall reduce said amount to be paid by Charles H. Sawyer to the amount of such credits, except in cases where it shall be necessary for the Pacific Gas and Electric Company to make an additional extension of more than 100 feet to reach said additional consumers.

A copy of the contract or agreement was filed with the application, and said Charles H. Sawyer was present at the hearing and agreed to the conditions of the contract.

The reason that the Pacific Gas and Electric Company desires that the Commission approve of the contract or agreement in question is that the minimum payment of \$7.00 per month for electrical energy served to said Charles H. Sawyer will be a departure from the published rates of the Pacific Gas and Electric Company.

I find that, under all of the circumstances of the case, the agreement or contract between the Pacific Gas and Electric Company and Charles H. Sawyer is a fair and equitable one, and should receive the approval of this Commission.

I also call attention to the fact that a matter similar to this in many respects, and embodying the same principle to be decided here, has been before the Commission in Case No. 451 and decided by the Commission under Decision No. 974 (*Charles LeRoy Butler vs. Pacific Gas and Electric Company*, Volume 3, Decisions of the Railroad Commission of the State of California, page 629), with which decision the decision in this case is in accord.

The matter comprehended in this application was brought into the record in Cases Nos. 477 and 550 (combined for hearing), and will finally be determined by the order in those cases, but I see no reason why it can not be considered independently at this time and disposed of temporarily, pending the final decision in Cases Nos. 477 and 550.

I recommend the following order:

#### ORDER.

The Pacific Gas and Electric Company having applied to this Commission for an order approving a certain agreement entered into between said Pacific Gas and Electric Company and Charles H. Sawyer, and the Commission having found the terms and conditions of said contract or agreement equitable and reasonable, and that the same should be temporarily approved, pending the final disposition of the decisions in Cases Nos. 477 and 550, by this Commission.

*It is hereby ordered* that the said Pacific Gas and Electric Company and the said Charles H. Sawyer be and they are hereby authorized to enter into such contract or agreement, as set forth in the copy filed with the application, and that the departure by the Pacific Gas and Electric Company from its published rates, resulting from said con-

tract or agreement, is hereby approved, such permission and approval subject, however, to the final determination and decision in Cases Nos. 477 and 550.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of June, 1914.

DECISION No. 1553.

IN THE MATTER OF THE SERVICE OF TUJUNGA WATER  
AND POWER COMPANY, INVESTIGATION UPON THE  
COMMISSION'S OWN INITIATIVE.

Case No. 561.

*Decided June 2, 1914.*

In view of prior formal and informal complaints against the facilities and service of respondent the Commission institutes an investigation upon its own initiative, and respondent having fully complied with all of its promises made at a prior hearing to eliminate the deficiencies complained of, with the exception of the installation of a larger main, and it agreeing to make such installation within a reasonable time, complaint dismissed, provided that the Commission may make such further changes in the rules and regulations recently ordered adopted by respondent, if after a thorough trial they may prove in any way inadequate.

*John Beardsley*, representing Tujunga Valley Improvement Association.

*J. Madison Carter*, representing Tujunga Terrace Improvement Association.

*Chas. M. Wilson* and *F. E. Davis*, representing Tujunga Water and Power Company.

REPORT OF THE COMMISSION.

*LOVELAND, Commissioner.*

On October 6, 1913, this Commission made its order in Case No. 433 (*Tujunga Valley Improvement Association vs. Tujunga Water and Power Company*); Case No. 434 (*Nobura Omura vs. Tujunga Water and Power Company*), and Case No. 441 (*Tujunga Terrace Improvement Association vs. Tujunga Water and Power Company*), which three cases had been consolidated for hearing. The complaints in these cases drew in question the adequacy of the service of the Tujunga Water and Power Company. The decision in these three cases describes fully the source of water of the Tujunga Water and Power Company, the terri-

tory served, and the manner in which it is supplied. I do not think it is necessary to cover these matters again in the present case, as any one desiring to become acquainted with these matters will find them fully set forth in the prior decision. The present proceeding was instituted by the Commission on its own initiative on March 13, 1914, as a result of a number of informal complaints alleging that the Tujunga Water and Power Company was still failing to give adequate service and to take the necessary steps to insure an adequate supply of water during the coming summer. A hearing was held in the present proceeding on March 19, 1914. At the opening of this hearing Homer A. Hansen, manager of the Tujunga Water and Power Company, made a statement in which he admitted that his company had been negligent in the matter of service, but that he was now prepared to proceed with all diligence, not only to furnish adequate service for the present, but to take steps to insure an adequate supply of water during the dry season. A large number of consumers of the Tujunga Water and Power Company were present at this hearing and were given an opportunity to voice their complaints. The complaints at this hearing may be summarized as follows:

(1) About 900 feet of the pipe line serving the Tujunga Terrace was washed away during the recent floods in southern California. Delay in the repair of this pipe resulted in the consumers on the Tujunga Terrace being without water for a number of days;

(2) It was alleged that about 2.1 miles of the redwood stave pipe serving Hansen Heights was in poor condition, and that in several places the pipe was leaking so badly that it would have to be repaired by putting new staves in the pipe;

(3) Several of the consumers stated that their meters were not in repair, and in some instances had not been installed, although this Commission had ordered the company to meter each of its consumers;

(4) The Commission's prior order required that the company should take on no additional consumers after the date of that order. It was claimed that the company, in violation of that order, had taken on a few additional consumers;

(5) The consumers stated that they desired to know what steps, if any, were being taken to insure by the installation of pumps or otherwise an adequate supply of water during the dry season;

(6) It was claimed that the tunnel, which was constructed to catch the water in the bed of the Tujunga River, needed cleaning;

(7) The redwood pipe, in addition to serving Hansen Heights, also supplies a reservoir which is used to serve another tract, known as the Villa Vista Tract. The consumers in Hansen Heights claimed that



all the water which this pipe would supply was needed for Hansen Heights, and that some other arrangement should be made to supply the Villa Vista Tract.

Homer A. Hansen stated on behalf of the Tujunga Water and Power Company that he was prepared to remedy each one of the matters complained of. I desire to summarize briefly the relief which he promised in each case.

With reference to the pipe serving the Tujunga Terrace, Homer A. Hansen stated that there was on hand 6-inch pipe which would be immediately installed as a temporary repair for this break and that the company intended to later install a 12-inch pipe to supply this terrace; that steps would be immediately taken to put the redwood stave pipe in good condition by placing new staves in the pipe at the points where it was leaking; that there were at present only five consumers without meters, and that the company had employed a new superintendent who was devoting his entire time to the repairing and installation of meters; that service would be discontinued to consumers who had been added to the system in violation of the Commission's order, so that the water thus used to serve these new consumers would be saved to the former consumers; that the company proposed to install a pumping plant which would develop from 100 to 150 inches of water, and which would be in operation by the middle of June to supplement the present supply and insure an adequate service during the dry season; that men would be immediately put to work to clean out the tunnel in the bed of the Tujunga River; and, finally, that another pump would be installed to supply the Villa Vista Tract so that when the time of shortage came all the water running through the redwood pipe could be devoted to serving Hansen Heights.

With the assurance given by the Tujunga Water and Power Company that the matters complained of would be remedied, the Commission made no order in this case, but held the case open for a further hearing at a later date for the purpose of determining the extent to which the company had satisfied these complaints.

Further hearing in this case was had on May 15, 1914, and the company was asked to make a report as to the progress which has been made since the prior hearing. Homer A. Hansen reported that the pipe supplying Tujunga Terrace had been repaired and was in operation within ten days after the prior hearing; that there were at present two leaks in the pipe which would be immediately repaired; that the repair of the redwood pipe for a distance of 2.1 miles had been completed, but steps were now being taken to put the pipe in even better condition; that all of the consumers except two had now been supplied with meters; that subsequent to the prior hearing the company had

installed ten new meters and had repaired twenty-one others, and that no consumer was now receiving service in violation of the Commission's order; that the shaft for the pumping plant had been started three days previously, material for the shaft having been ordered and the pump being already on hand, and that this shaft can be sunk in plenty of time to be in operation when the time of shortage arrives; that 465 feet of the flume which carries the water from the Tujunga River had been cleaned and that the remainder of the flume and also the tunnel will be restored to the same condition; that due to a change in the course of the Tujunga River it would be possible to supply the Villa Vista reservoir by a gravity flow from a point below that from which the water is taken to supply the Hansen Heights and the Tujunga Terrace, but that the company also had on hand a pump, which would be installed as soon as the gravity flow to the Villa Vista reservoir failed, the result being that all the water running through the redwood pipe will be available for Hansen Heights.

I feel very gratified at the showing made by the company at this second hearing. I feel, further, that the management of the Tujunga Water and Power Company and the consumers of this company are beginning to work in harmony and to show a spirit of cooperation, which I believe will mean the ultimate solution of the past difficulties and the successful operation of this water system to the mutual benefit of both the utility and its patrons.

There are two further matters which I desire to mention, namely, the size of the pipe serving the Tujunga Terrace and a rotation schedule to be followed by the consumers in irrigating their lands. It was stated at the hearing that the pipe serving Tujunga Terrace, which pipe now has an inside diameter of 5½ inches, is not sufficient to supply the water necessary to irrigate the lands included within this terrace. I have had this matter carefully investigated by the Commission's engineering department, and while I believe the present pipe will suffice for the present season, it is certainly not adequate to supply the lands which we may believe will be under cultivation next year. In fact, at the first hearing Dr. Hansen stated that the present pipe was regarded merely as a temporary expedient and that the company contemplated installing a 12-inch pipe at a later date. While no order will be made at this time, I recommend to the company the advisability of installing a larger pipe to serve this terrace.

With reference to the irrigation schedule I desire to state that this has been a very difficult matter to work out. The Commission's hydraulic department, together with representatives of the utility and representatives of the consumers, has been endeavoring to work out a

satisfactory rotation schedule. A schedule has now been completed and forwarded to the utility and its patrons to be put into effect. With the cooperation of both the utility and its consumers we believe there should be no difficulty in working out a schedule which will secure to every one the amount of water to which he is entitled. It may be necessary that slight changes be made in this schedule due to circumstances which it has been impossible to foresee. The Commission feels, however, that if the utility and its patrons will cooperate in this matter the schedule put into effect will work successfully, and with such adjustments as it may be necessary to make from time to time will remedy the existing evil and secure to all the consumers the amount of water to which they are entitled.

As I stated before, when the matter of the service of this company first came before the Commission there was an entire lack of cooperation between the utility and its consumers. This lack of cooperation, I feel, was very largely the cause of the unsatisfactory service which unquestionably existed. I feel now, however, that both the utility and its patrons realize that it is to their mutual benefit to work in harmony. The Commission has, in the present proceeding, eliminated the antagonism and petty differences which have arisen between the utility and its consumers, and even between the consumers of different localities, and while I recommend that this proceeding be dismissed without any formal order directing affirmative action by either the company or its consumers, the Commission will, nevertheless, keep in very close touch with the situation which has given rise to this proceeding, and, if necessary, either reopen this proceeding or institute a new proceeding and make such orders as developments may require.

In conformity with an agreement between the consumers and the officials of the company during the last hearing, an agency of some sort, satisfactory to the consumers, will be established in both Hansen Heights and Tujunga Terrace, which will provide these consumers a means of expeditious communication with the superintendent of the company's system. Considerable controversy developed over the various provisions of the rules and regulations recently provided by the Commission. These rules and regulations, it appears, have not been definitely put into effect and given a thorough trial.

The Engineering Department of the Commission will further investigate these matters, and if, during the contemporaneous conduct of the company's affairs, under the present rules, it is found advisable to make changes, this will be done by a further order of the Commission.

I recommend, however, that the present proceeding be dismissed at this time, and submit herewith the following form of order:

**ORDER.**

The present proceeding having come on regularly for hearing, and the subject-matter thereof having been satisfactorily disposed of, as set forth in the above opinion,

*It is hereby ordered* that the said proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of June, 1914.

DECISION No. 1554.

**IN THE MATTER OF THE APPLICATION OF THE SOUTHERN CALIFORNIA GAS COMPANY FOR PERMISSION TO ISSUE SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS OF PREFERRED STOCK.**

Application No. 568.

*Decided June 2, 1914.*

Supplemental order permitting applicant to expend the sum of \$401,000.00 secured from preferred stock heretofore authorized for its compressor station, in lieu of \$325,000.00 as formerly provided for this purpose.

**REPORT OF THE COMMISSION.**

**SUPPLEMENTAL OPINION.**

EDGERTON, *Commissioner*.

In its order of May 22, 1913, Decision No. 682, in the matter of the application of Southern California Gas Company for authority to issue \$750,000.00 of preferred stock, this Commission authorized the issue of said stock and enumerated among the purposes to which the proceeds derived from the sale of said stock should be devoted—

“Compressor station at Midway Oil Fields, capacity 30,000,000 cubic feet per day, \$375,000.00.”

The authority therein given to issue said stock applied to such stock as was issued on or before January 1, 1914. In its order of May 14, 1914, Decision No. 1506, this Commission authorized the issue by Southern California Gas Company of \$325,000.00 of its preferred stock, being a part of the \$750,000.00 of preferred stock heretofore authorized.

Applicant, under date of May 23, 1914, filed a statement with this Commission to the effect that there had been expended on the Midway compressor station, \$399,948.73, and that \$1,000.00 more would be required in the completion of the same. The applicant asked that the order in the above entitled case be amended so as to grant it authority to expend from the sale of the stock a sum which would be \$401,000.00 on this compressor station. I recommend that the order be amended in this particular and submit the following form of order:

**ORDER.**

*It is hereby ordered* that Southern California Gas Company be given authority and it is hereby given authority to expend from the proceeds of the sale of \$750,000.00 of preferred stock heretofore authorized, the sum of \$401,000.00 upon the compressor station at Midway Oil Fields, capacity 30,000,000 cubic feet per day.

This authority is given in substitution for the authority previously given the applicant herein to expend from the proceeds of said stock upon said compressor the sum of \$305,000.00.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of June, 1914.

---

DECISION No. 1555.

RECLAMATION DISTRICT No. 551

*vs.*

GREAT WESTERN POWER COMPANY.

---

Case No. 577.

*Decided June 2, 1914.*

---

**REPORT OF THE COMMISSION.**

**ORDER OF DISMISSAL.**

The board of trustees of Reclamation District No. 551, complainant in above entitled action, having, on May 26, 1914, made written request to the Railroad Commission that the case be dismissed,

*It is hereby ordered* that the above entitled matter be, and the same is hereby, dismissed without prejudice.

Dated at San Francisco, California, this 2d day of June, 1914.

## DECISION No. 1556.

## KLEIN-SIMPSON FRUIT COMPANY

vs.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, SANTA FE REFRIGERATOR DISPATCH COMPANY, AND NORTHWESTERN PACIFIC RAILWAY COMPANY.

---

Case No. 524.

---

Decided June 2, 1914.

---

REPORT OF THE COMMISSION.

## AMENDED ORDER.

Whereas it appears that at the hearing in this proceeding on March 11, 1914, at Los Angeles, California, the complaint in this proceeding was amended so as to make Santa Fe Refrigerator Dispatch Company a party defendant; and whereas inadvertently Santa Fe Refrigerator Dispatch Company was not named as a party defendant in the order rendered in this proceeding on May 16, 1914, and the Commission having been requested by counsel for Santa Fe Refrigerator Dispatch Company to amend said order,

*It is hereby ordered* that the order heretofore made in this proceeding on May 16, 1914, be, and the same is hereby, amended so as to read as follows:

*It is hereby ordered* that the Atchison, Topeka and Santa Fe Railway Company, Santa Fe Refrigerator Dispatch Company and Northwestern Pacific Railroad Company publish and file with this Commission within twenty (20) days from May 16, 1914, a tariff providing that shippers may furnish initial icing on carload shipments of eggs for transportation from Petaluma to Los Angeles, and further providing that if the shipper so directs on the bill of lading, no further ice will be furnished. Or, if the shipper so directs, re-icing shall be furnished by the carrier on the shipper's request at actual cost of such ice; said tariff further to provide that on such shipments where the initial icing is performed by the shipper with directions not to re-ice in transit, said shipper shall assume all risk due solely to improper refrigeration.

By order of the Railroad Commission.

Dated at San Francisco, California, this 2d day of June, 1914.

## DECISION No. 1557.

IN THE MATTER OF THE APPLICATION OF ROSE L. BURCHAM, IN HER CAPACITY AS SOLE EXECUTRIX OF THE LAST WILL AND TESTAMENT OF CHARLES AUSTIN BURCHAM, DECEASED, AND OF THE INTERSTATE TELEGRAPH COMPANY, FOR AN ORDER AUTHORIZING THE SALE AND TRANSFER OF A CERTAIN TELEPHONE EXCHANGE AND TELEPHONE LINES AND EQUIPMENT AND PROPERTY SITUATE AT RANDSBURG, KERN COUNTY, STATE OF CALIFORNIA.

---

Application No. 1083.

*Decided June 2, 1914.*

---

Application of Rose L. Burcham for permission to sell to the Interstate Telegraph Company a certain telephone system serving the towns of Randsburg, Mojave and Atolia, for the sum of \$3,000.00, granted, provided that purchaser shall continue to provide services as at present afforded.

*Mrs. Rose L. Burcham, in propria persona.*

*I. B. Potter and Newman Jones, attorneys, and F. M. Hess, for Interstate Telegraph Company.*

REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

This is an application of Mrs. Rose L. Burcham, sole executrix of the last will and testament of Charles Austin Burcham, deceased, to sell and transfer, and of the Interstate Telegraph Company to purchase certain telephone lines and equipment in and adjacent to the unincorporated towns of Randsburg and Mojave in Kern County, and Atolia in San Bernardino County, California.

This telephone system, consisting of an exchange in the town of Randsburg, with lines and equipment extending to Mojave and Atolia and adjacent territory, and comprising a total of approximately 12½ miles of No. 14 iron wire and 50½ miles of No. 12 iron wire, together with poles, cross arms, switchboard, and forty-three telephones, etc., has for a number of years and until his death in August, 1913, been owned and operated as a public utility by Charles Austin Burcham. Having been duly appointed by the Superior Court of Los Angeles County, and having duly qualified as executrix of the estate of the deceased, the applicant, Mrs. Rose L. Burcham, has since his death conducted and operated this telephone system. The Interstate Telegraph Company, a public utility telephone-telegraph corporation, organized and existing under the laws of the State of Nevada, and authorized

by law, as shown by this application, to acquire, possess and operate properties and transact business within the State of California, now owns and operates telephone lines and exchanges throughout certain portions of Inyo, Kern, San Bernardino and Riverside counties in this State and in Esmeralda County, Nevada, which territory is contiguous to that being served by the lines of the applicant, Mrs. Burcham. According to this application, and as shown by the testimony, the present owners are not prepared to continue the operation of this telephone system and to adequately meet the demands for extensions and betterments. The applicant, Interstate Telegraph Company, is engaged solely in the telephone-telegraph business, and is in a position, financially and otherwise, more adequately and efficiently to serve the public. For these reasons and in the course of the administration of this estate, the applicant, Mrs. Burcham, desires to sell and transfer this telephone system and business to the Interstate Telegraph Company.

The Interstate Telegraph Company has inventoried and appraised the property, the original value of which is placed at \$5,274.76. The plant has been in service for about eight years, and after deducting depreciation for these years, aggregating \$2,320.89, the present value is placed at \$2,953.87. An agreement for the sale and purchase for the sum of \$3,000.00, subject to Commission approval, has accordingly been drawn up by both parties. The property and business is free from encumbrance and is in a prosperous condition. The Interstate Telegraph Company has agreed, if this application is approved by the Commission, to take over and operate the system and to make necessary improvements and extensions. I am of the opinion that the public necessity and convenience will be subserved by the granting of the application, and an examination of the inventory by the Commission's expert indicates that for the purpose of this proceeding the valuation is reasonable. The applicant, Interstate Telegraph Company, was informed at the hearing, however, that the Commission will withhold its approval of this valuation for rate fixing purposes, and with this understanding and with the further understanding, which is agreed to by this applicant, that no changes whatever either in the present rates or in the present manner of serving this community will be made without a further order of this Commission, I am willing to recommend that the application be granted.

#### ORDER.

Application having been made to this Commission by Rose L. Burcham, sole executrix of the last will and testament of Charles Austin Burcham, deceased, to sell and transfer, and of the Interstate Telegraph Company, a Nevada public utility corporation, to purchase a certain telephone exchange and telephone lines and equipment and property situate at Randsburg, Kern County, and certain other telephone lines



and accessory equipment extending therefrom to Mojave, in Kern County, and to Atolia, in San Bernardino County, and adjacent territory, all in the State of California, for the sum of \$3,000.00, and a public hearing having been held thereon, and no reasonable objection thereto appearing; and it appearing to this Commission that the public necessity and convenience will be subserved thereby,

*It is hereby ordered* that the application of Rose L. Burcham, sole executrix of the last will and testament of Charles Austin Burcham, deceased, to sell and transfer, and of the Interstate Telegraph Company, a public utility corporation, organized and existing under the laws of the State of Nevada and authorized by law to acquire, possess, and operate properties and transact business within the State of California, to purchase a certain telephone exchange and telephone lines and equipment and property situate at Randsburg, Kern County, California, and certain other telephone lines and accessory equipment extending therefrom to Mojave, in Kern County, and to Atolia, in San Bernardino County, and adjacent territory, California, as more specifically set forth and described in that certain inventory accompanying and made a part of this application, for the sum of \$3,000.00, be and the same hereby is granted; provided, that the price agreed upon by the applicants herein for this sale and transfer is not to be taken by this Commission or other body as the value of the property herein authorized to be sold and transferred for rate fixing purposes; and provided, further, that no change in the rates at present charged the patrons of this system for telephone service, or in the present manner of serving this territory, shall be made without the further order of this Commission.

This order to be and become effective upon its approval by the Commission and upon the filing on the part of the Interstate Telegraph Company with the Commission of its schedule of rates applicable to this system.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of June, 1914.

## DECISION No. 1558.

IN THE MATTER OF THE APPLICATION OF OAKLAND,  
ANTIOCH AND EASTERN RAILWAY TO RENEW TWO  
PROMISSORY NOTES, PAYABLE TO WESTINGHOUSE  
ELECTRIC AND MANUFACTURING COMPANY.

---

Application No. 1135.

*Decided June 2, 1914.*

---

Application of the Oakland, Antioch and Eastern Railway for permission to renew two certain promissory notes, aggregating the sum of \$60,770.27 for a period of six months, granted.

*Jesse H. Steinhart*, for Applicant.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This application, as amended at the hearing, asks for authority to renew two certain promissory notes, payable to Westinghouse Electric and Manufacturing Company, in the amounts respectively of \$30,385.14 and \$30,385.13.

The proceeds of these notes were used for the purpose of purchasing motor generator sets for applicant's substations and electric equipment for its cars. Each note has been renewed prior to the date of filing the present application. The last renewal of the first note was on March 18, 1914, and was for a period of two months, so that this note became due on May 18, 1914. The last renewal of the second note was on March 18, 1914, and was for a period of four months, so that this note will be payable on July 18, 1914. Each of these notes is secured by applicant's bonds of the face value of \$50,000.00, under authority granted by this Commission's Decision No. 891 on Application No. 666, application of Oakland, Antioch and Eastern Railway for permission to issue bonds. (Vol. 3, Opinions and Orders of the Railroad Commission of California, page 454.) Each of these notes bears interest at the rate of 6 per cent per annum.

Applicant now asks authority to renew each of these notes by means of new promissory notes for a term not to exceed six months from the date on which the original note in each case falls due, and to continue the security of fifty bonds in each case.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

Oakland, Antioch and Eastern Railway having applied to the Railroad Commission for an order authorizing the issue of the promissory

notes hereinafter referred to, and of its bonds as security therefor, as hereinafter specified, and a public hearing having been held on said application, and the Commission finding that the purposes for which the proceeds from the promissory notes which applicant desires to renew were used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Oakland, Antioch and Eastern Railway be and the same is hereby authorized to execute its two promissory notes, payable to Westinghouse Electric and Manufacturing Company, one in the amount of \$30,385.14, to be dated as of May 18, 1914, and the other in the amount of \$30,385.13, to be dated as of July 18, 1914, both notes to have a term not in excess of six months, and to bear interest at the rate of 6 per cent per annum, on the following conditions and not otherwise, to wit:

1. Said notes shall be used to take up applicant's two existing notes, payable to Westinghouse Electric and Manufacturing Company, the one in the amount of \$30,385.14, payable on May 18, 1914, and the other in the amount of \$30,385.13, payable on July 18, 1914.

2. Oakland, Antioch and Eastern Railway may issue its 5 per cent bonds of the face value of \$50,000.00 as to each of said promissory notes as security for the payment thereof.

3. Oakland, Antioch and Eastern Railway shall report to this Commission the fact of the issue of said notes, and the purpose for which the proceeds thereof were used.

4. This order shall not become effective until Oakland, Antioch and Eastern Railway has paid the fee specified in section 57 of the Public Utilities Act, as amended.

5. This order shall apply only to such promissory notes as may be issued on or before September 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of June, 1914.

## DECISION No. 1559.

IN THE MATTER OF THE APPLICATION OF F. A. CODY,  
PROPRIETOR OF THE BEN LOMOND WATER WORKS, TO  
PUT A METER RATE INTO EFFECT.

Application No. 1098.

*Decided June 2, 1914.*

*Held.* Applicant authorized to put into effect July 1, 1914, the meter rates prescribed by the Commission for water service as supplied by the Ben Lomond Water Works, applicant also to install at its own expense a meter for each consumer, provided that consumers not paying the annual initial charge shall lose their right to demand water as against consumers served subsequently with such available supply.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

This is an application to establish a rate for metered water service supplied in a summer resort colony at Ben Lomond, Santa Cruz County, California. There is at present no meter rate in effect on applicant's system. Applicant serves water for domestic purposes only, including household use and the sprinkling of lawns, private gardens, streets and roads. The supply of water is secured from the two branches of Marshall Creek and is distributed through about four miles of pipe varying in size from 7 inches in diameter to 1½ inches in diameter. There are about 100 service connections, which may be classified as follows:

Continuous users .....	39
Transients .....	28
Miscellaneous, schools, etc. ....	6
<hr/>	
Revenue producing services .....	73
Non-revenue producing services .....	27
<hr/>	
Total .....	100

The low flow of Marshall Creek was stated to be about 20 miner's inches, giving a supply of 260,000 gallons in twenty-four hours. If an average of fifty-two services are in use, the daily consumption for each would average 5,000 gallons, which is extremely excessive. Under the flat rates at present in effect, many of the consumers who have maintained gardens and extensive lawns have been extremely wasteful in the use of water. A portion of the district served, called the Sand Hills, is considerably higher than the surrounding territory. Due to the extravagant use of water by those living on the lower levels the residents of the Sand Hills have had very poor service, and during certain times

in the summer have been entirely without water. Applicant now desires to install meters for his consumers and to put into effect a meter rate.

There is no doubt in my mind but that applicant's system should be metered. The result of metered service is that every one pays for the amount of water used by him, and the tendency is to conserve the water and eliminate wasteful and extravagant use thereof. I believe that in the present case it is entirely proper that applicant should proceed to install meters.

Considering now the meter rate, applicant asks for permission to put into effect the rate of \$1.25 for 4,000 gallons, and 25 cents for each additional 1,000 gallons. Applicant claims that his water system represents an investment of \$15,000.00. He was unable, however, to give the detailed items going to make up this sum or to explain in any satisfactory way how he arrived at this figure. The Commission's engineers have examined applicant's water system, which may be summarized as follows:

Pipe system -----	\$3,098 00
Fittings, valves, etc. -----	174 00
Flume and intake -----	150 00
Tank -----	100 00
60 acres watershed -----	4,500 00
<b>Total -----</b>	<b>\$8,022 00</b>

I believe that the above valuations, as found by the Commission's engineering department, are entirely reasonable and represent the present value of this system. While it was contended that the Commission should allow \$100.00 per acre for the 60 acres of watershed, I have deducted from the \$6,000.00 which would thus result, the sum of \$1,500.00 which applicant received for certain rights to water from this watershed which applicant sold several years ago.

Allowing for an annual maintenance and operation expense of \$510.00, 5 per cent for depreciation and a reasonable return on the valuation of the property found by the Commission, I believe that the rate requested by applicant is not properly adjusted and would be too burdensome upon the larger users. I believe that the following schedule of rates will produce the return to which applicant is entitled, and will be more equitable than those requested:

(1) Annual charge of \$6.00 to be paid in advance by each consumer whether the service is metered or not.

(2) In addition to the annual charge of \$6.00, the payment for each month during which water is used shall be as follows:

(a) *Metered service:*

\$0.75 for the first 5,000 gallons or less.

\$0.15 for each 1,000 gallons or fraction thereof used in excess of 5,000 gallons and up to 15,000 gallons.

\$0.12 for each 1,000 gallons or fraction thereof used in excess of 15,000 gallons.

(b) *Flat rates:*

\$0.75 per month, pending installation of meters, in addition to the annual charge of \$6.00.

Applicant shall install at his own expense  $\frac{1}{2}$ -inch by  $\frac{3}{4}$ -inch meters. If a larger meter is demanded by any consumer, the consumer shall deposit a certain sum with applicant prior to the installation of the meter, the sum so deposited to be credited on the monthly water bills of the consumer until the sum has been entirely assumed by applicant, as follows:

Meter	Deposit	Monthly credit
1 inch -----	\$15 00	\$1 25
1½ inch -----	28 00	2 33
2 inch -----	45 00	3 75
3 inch -----	75 00	6 25

I recommend, also, that applicant be permitted to establish a rule that any consumer not using water or paying the annual charge loses his right to demand water as against other patrons to whom the applicant may commence serving the supply thus made available.

I believe that if the rates and regulations which I have recommended are put into effect, the result will be that applicant will receive a reasonable return from this utility business, and also, that the consumers will conserve the source of supply so that the water will be more equitably distributed between the consumers. In fixing these rates and regulations I have been guided by other cases of a very similar character which have been before the Commission. It may be that some minor readjustments will have to be made from time to time. If experience with these rates and regulations shows that they are unreasonable in the present case, they may be readjusted from time to time as occasion demands upon application to the Commission.

I recommend herewith the following form of order:

**ORDER.**

A hearing having been held in the above entitled matter, and the Commission being fully advised in the premises, the Commission hereby finds as a fact that the value of the property of F. A. Cody, used in serving water in Ben Lomond, Santa Cruz County, California, for the purpose of fixing rates is \$8,022.00;

The Commission further finds as a fact that the following is a schedule of just and reasonable rates to be charged by F. A. Cody for water supplied by him in Ben Lomond, Santa Cruz County, California:

(1) Annual charge of \$6.00 to be paid in advance by each consumer whether the service is metered or not.

(2) In addition to the annual charge of \$6.00, the payment for each month during which water is used shall be as follows:

(a) *Metered service:*

\$0.75 for the first 5,000 gallons or less.

\$0.15 for each 1,000 gallons or fraction thereof used in excess of 5,000 gallons and up to 15,000 gallons.

\$0.12 for each 1,000 gallons or fraction thereof used in excess of 15,000 gallons.

(b) *Flat rates:*

\$0.75 per month, pending installation of meters, in addition to the annual charge of \$6.00.

Based upon the above findings, *it is hereby ordered* that on and after July 1, 1914, F. A. Cody put into effect the following schedule of rates and charges for water supplied by him in Ben Lomond, Santa Cruz County, California:

(1) An annual charge of \$6.00 to be paid in advance by each consumer whether the service is metered or not.

(2) In addition to the annual charge of \$6.00, the payment for each month during which water is used shall be as follows:

(a) *Metered service:*

\$0.75 for the first 5,000 gallons or less.

\$0.15 for each 1,000 gallons or fraction thereof used in excess of 5,000 gallons and up to 15,000 gallons.

\$0.12 for each 1,000 gallons or fraction thereof used in excess of 15,000 gallons.

(b) *Flat rates:*

\$0.75 per month, pending installation of meters, in addition to the annual charge of \$6.00.

*It is further ordered* that applicant shall install, at his own cost, for each of the consumers who are permanent residents a  $\frac{1}{2}$ -inch by  $\frac{3}{4}$ -inch meter, and shall not be required to meter summer transients except at option. In the event any consumer demands a larger meter applicant shall install the same upon receipt of a deposit hereinafter specified, which deposit shall be credited upon the water bill of the consumer each month as follows:

Meter	Deposit	Monthly credit
1 inch -----	\$15 00	\$1 25
1½ inch -----	28 00	2 33
2 inch -----	45 00	3 75
3 inch -----	75 00	6 25

*It is further ordered* that applicant be, and he is hereby, authorized to establish a rule, effective on and after July 1, 1914, that any consumer not using water or paying the annual charge loses his right to demand water as against other patrons whom the applicant may commence serving the supply thus made available.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2d day of June, 1914.

---

DECISION No. 1560.

IN THE MATTER OF THE APPLICATION OF MAILLIARD  
ESTATE FOR PERMISSION TO MAKE INCREASE IN  
CHARGES.

---

Application No. 435.

*Decided June 2, 1914.*

---

Upon petition of various water users concurred in by the water company itself, Lagunitas Development Company, serving the town of Lagunitas and adjacent territory with water, permitted to establish, effective July 1, 1914, an annual flat rate of \$12.00 per year, entitling consumer to 4,500 gallons per month with an additional charge of 50 cents per 1,000 gallons used in excess of amount allowed.

REPORT OF THE COMMISSION.

SECOND SUPPLEMENTAL OPINION.

On September 12, 1913, the Commission made and entered its order establishing just and reasonable rates to be charged for water distributed by the Mailliard Estate Company under Application No. 435, at the towns of Lagunitas and San Geronimo, Marin County, California. On November 25, 1913, the Commission made and entered a supplemental order amending the previous order by providing for the collection of payment for amount used above the minimum where meters are placed.

Subsequent to the original decision the water utility property has passed into the ownership of the Lagunitas Development Company. The water rates ordered were put into effect by the last named company upon the first day of January, 1914, and immediately very considerable dissatisfaction developed, and there has been an active campaign carried on among the consumers at Lagunitas to have the form of rate changed.

75—10192



During investigation by this Commission, and at the two public hearings conducted in this matter, it appeared to be an undoubted fact that the larger number of the consumers would require water service and desired to make payment therefor only for a few months of the year. Therefore, the rate established by the Commission took this into account and was formulated to return to the company the amount of the charges properly to be demanded and necessary for the conduct of its business, and to proportion the payment among all consumers in accordance with the benefits derived.

It now appears that the consumers, practically without exception, desire that water be available for use upon their property during each and every month of the year; and that they are willing to make payment to the water company for such continuous availability of service. This causes a radical change of the basis upon which rates may now properly be established.

The Commission has received a petition signed by eighty-seven consumers, reading as follows:

“We, the undersigned, property owners and water consumers of Lagunitas, Marin County, California, hereby respectfully petition that the water rates for Lagunitas be fixed on the flat rate basis, and that the annual charge to each consumer be fixed at \$12.00 per year for the use of 4,500 gallons per month, and for all water used in excess thereof, at the rate of 50 cents per 1,000 gallons.”

There has also been filed a printed and published statement over the signature of the Lagunitas Development Company, by John B. Coleman, president, which includes the following:

“Although the decision of the Railroad Commission specifically points out that a flat rate of \$12.00 per year (plus 50 cents per 1,000 gallons over 4,500 gallons per month) is insufficient to yield a fair return upon the cost of the water plants and the value of the service, nevertheless in order to establish a condition of harmony and good will between our company and the water consumers, if the water consumers of Lagunitas decide to apply to the Railroad Commission for a flat rate of \$12.00 per year (plus 50 cents per 1,000 gallons in excess of 4,500 gallons per month) our company will not oppose such application.”

It so chanced that, considering the number of consumers to be the same as used in the determination of rates in the Commission's former order, a general rate of \$12.00 per year will return to the company the same aggregate sum as was considered probable under the rate before established, it also appearing that there is practically unanimity of desire upon the part both of the consumers and the company that this rate be changed.

## SECOND SUPPLEMENTAL ORDER.

*It is hereby ordered* that Lagunitas Development Company, successor of Mailliard Estate Company, be and the same is hereby authorized to charge for water delivered to its customers in and about Lagunitas the rate of twelve dollars (\$12.00) per consumer per annum, payable in advance, on July first of each year, with an additional charge of 50 cents per 1,000 gallons in excess of 4,500 gallons per month where meters are installed.

This order shall become effective on July 1, 1914. Where payments in excess of this amount have been made under the prior orders herein, credit shall be given for the excess payment.

Dated at San Francisco, California, this 2d day of June, 1914.

## DECISION No. 1561.

IN THE MATTER OF THE APPLICATION OF PEOPLES  
WATER COMPANY FOR AN ORDER AUTHORIZING THE  
ISSUE OF NOTES AND THE ISSUE AND PLEDGE OF  
BONDS AS COLLATERAL SECURITY THEREFOR.

Application No. 1110.

*Decided June 4, 1914.*

Application of the Peoples Water Company for authorization to execute notes of the aggregate face value of \$3,541,551.86 and to pledge its bonds at the ratio of 2½ to 1 as security therefor; the majority of such notes to be issued in renewal of notes now outstanding and to liquidate accounts payable, the balance in payment of certain property recently purchased.

*Held*, that as the foundation of the present undesirable financial condition of applicant was constructed prior to the creation of a regulatory body with jurisdiction over utility financing, such condition can be attributed directly to the absence of such regulation.

*Held*, application granted, provided applicant shall pledge no new bonds as security above the total of bonds now pledged and outstanding; also provided that applicant shall present, for the approval of the Commission, plans for reorganization and within thirty days report the steps taken to secure forbearance agreements on the part of its note holders and certain of its bondholders.

*McKee & Tasheira and Arthur G. Tasheira*, for Applicant.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application for an order of this Commission authorizing Peoples Water Company to issue its promissory notes, from time to time during the period of two years next succeeding the order in this proceeding, in amounts not exceeding in the aggregate the sum of \$3,329,883.86, for the purpose of discharging or refunding outstanding

obligations in the same amount, and authorizing Peoples Water Company to issue and pledge as collateral security for the payment of such promissory notes its general mortgage 5 per cent thirty-year gold bonds in such proportion to the amount of such promissory notes as this Commission may direct.

Schedule "F" attached to the petition herein gives applicant's floating debt on February 28, 1914, as follows:

**Floating Debt: February 28, 1914.**

(a) Coupons of bonds due and accrued-----	\$115,041 32
(b) Notes payable—unsecured -----	29,043 67
(c) Notes payable—secured by pledge of Peoples Water Company general mortgage, five per cent thirty-year gold bonds -----	2,915,259 01
(d) Dividends declared—years 1907 and 1908-----	6,321 00
(e) Accounts payable -----	385,581 19
<b>Total -----</b>	<b>\$3,451,246 19</b>

The items totaling the said sum of \$3,329,883.86 are as follows:

Notes payable—unsecured -----	\$29,043 67
Notes payable—secured -----	2,915,259 01
Accounts payable -----	385,581 19
<b>Total -----</b>	<b>\$3,329,883 87</b>

At the hearing applicant also asked authority to issue its promissory notes during the next two years to refund indebtedness amounting to \$211,668.00, shown on Schedule "D" attached to the petition herein, which indebtedness was incurred by applicant in connection with the purchase of five (5) specific tracts of land, and is as follows:

Rowland Ranch -----	\$16,668 00
Pereira or King Ranch -----	7,000 00
Laura Brown property -----	35,000 00
San Leandro Creek property -----	115,000 00
Fish and Blum Ranch property-----	38,000 00
<b>Total -----</b>	<b>\$211,668 00</b>

As has hereinbefore been stated, applicant asks authority to issue its promissory notes during the period of two years after the date of the order herein, for the purpose of refunding the foregoing indebtedness. Heretofore, on March 28, 1913, this Commission rendered its Decision No. 526 on Application No. 381, authorizing Peoples Water Company to issue its promissory notes for the aggregate sum of \$1,250,000.00, or so much thereof as might be necessary, for the purpose of paying off a list of obligations represented by promissory notes, which order was limited in effect to notes issued on or before March 30, 1914. It is largely because the time limit of this order has expired that applicant is again before this Commission asking authority to issue its promissory notes as hereinbefore indicated. As will be noted, the authority granted in the order of March 28, 1913, was limited to one year. In the course

of its opinion in this matter, this Commission, after referring to the difficulties in connection with the refunding of existing notes by means of other notes secured by bonds at ratios up to  $2\frac{1}{2}$  to 1, said:

“This method of financing should not be allowed to continue indefinitely, and applicant should be called upon within a reasonable time to present to the Commission some comprehensive plan by which its present short-term obligations shall be converted into long-term obligations, or that such obligations be retired, keeping in view the possibility of a sale of the plant, or parts thereof, to the public.”

No such plan has as yet been presented to this Commission. The evidence presented on behalf of applicant at the hearing shows that a refinancing committee has been appointed for the purpose of working out a plan of refinance for applicant, that an appraisal of applicant's property is being made and that, on the completion thereof, applicant intends to work out some definite plan for refinancing. In the mean time, applicant's financial condition has not improved. Applicant's annual report, filed with this Commission for the year ending December 31, 1913, shows that during this year the company incurred a deficit amounting to \$123,702.50. During the year interest amounting to \$616,152.85 was paid on funded debt, whereas applicant's total net operating revenue was only \$652,300.16. Furthermore, within the last few months, bonds of a face value in excess of \$500,000.00, which bonds had been put up as collateral to secure promissory notes of applicant, have been foreclosed upon and sold because of applicant's inability to pay said promissory notes. In view of these facts, I do not believe that this condition should be permitted to continue for another two years. I believe it reasonable to permit the issue of notes as requested by applicant for a period of one year, these notes to bear interest not in excess of the interest at present payable on the notes to be refunded, and their term not to exceed in any case a period in excess of one year from the date of issue. At the same time, I desire to draw attention again to the need of a permanent plan of refinancing, and to draw attention particularly to the need of making an effort to secure an agreement from the note holders, to the effect that they will extend the time of payment and will not foreclose on the bonds which they hold as security. An effort has already been made to secure an agreement of forbearance from the holders of the underlying bonds, amounting to \$5,600,000.00, which fall due on January 1, 1915, and at the date of the hearing such forbearance had been signed by the owners of almost two million dollars of these bonds, but no effort apparently had been made to secure similar agreements from note holders.

Applicant asks authority to pledge bonds up to the ratio of  $2\frac{1}{2}$  to 1 as security for the promissory notes which it desires to issue. At the ratio of  $2\frac{1}{2}$  to 1, \$8,324,709.67 face value of bonds will be outstanding

to secure the promissory notes which applicant desires to issue, amounting to a total of \$3,329,883.86. The amount of bonds so outstanding would be over \$1,900,000.00 in excess of the bonds which applicant reports in its Schedule No. "E" as being pledged to secure obligations of the company on February 28, 1914. This request makes it necessary to give consideration to applicant's present bonded indebtedness.

Applicant's so-called underlying bonds consist of authorized issues by various predecessors of applicant, amounting to a total of \$5,600,000.00, all of which bonds are now in the hands of the public and are due on January 1, 1915. On January 2, 1907, applicant authorized a further issue of 20,000 bonds of the face value of \$20,000,000.00, these bonds to bear interest at the rate of five (5) per cent per annum and to be payable on January 2, 1937. Applicant's annual report for the year ending December 31, 1913, shows the following disposition of the authorized issue, as reported to applicant by Klink, Bean & Company:

Unissued in hands of trustee -----	\$500,000 00
Pledged as collateral -----	6,480,000 00
Unissued in treasury of company-----	974,000 00
Total par value not held by Peoples Water Company-----	6,446,000 00
 Total -----	 \$14,400,000 00

The remaining \$5,600,000.00 are to be reserved for the purpose of retiring underlying bonds.

In reliance on this statement, applicant stated, in Schedule "E" attached to the petition herein, that the bonds issued and in the hands of the public under the issue of January 2, 1907, amounted, on February 28, 1914, to \$6,446,000.00, and that the bonds pledged to secure the obligations of the company amounted on the same day to \$6,417,000.00. Applicant also reported that bonds of the face value of \$5,600,000.00 were in the hands of the trustee for the purpose of redeeming the underlying bonds, and that the remaining bonds, amounting to \$1,537,000.00, were in the treasury of the company. Applicant was unable to satisfy the Commission with reference to the amount of the bonds which were still in its treasury, and was directed to look into the matter further and to report to the Commission. This report has now been made and is as follows, as of May 21, 1914:

Uncertified -----	\$500,000 00
In hands of trustee to cover underlying issues-----	5,600,000 00
In hands of public, as per entries on company's books-----	6,747,000 00
Deposited as collateral -----	6,097,000 00
In safe deposit boxes controlled by Peoples Water Company----	221,000 00
For "safe keeping"—	
Oakland Bank of Savings-----	250,000 00
First National Bank of Oakland-----	305,000 00
F. C. Havens -----	280,000 00
 Total -----	 \$20,000,000 00

Further investigation shows that the bonds amounting to \$250,000.00

which are reported as being held for "safe keeping" by Oakland Bank of Savings were left with the bank in connection with former loans, but that the bank at present claims no interest in the same and is willing to return them. Applicant should promptly get these bonds and replace them in its treasury. The bonds amounting to \$305,000.00, which were reported by Klink, Bean & Company as being in applicant's treasury, but which now are reported to be held by First National Bank of Oakland, are held by that bank as collateral for the repayment of moneys loaned, from time to time, to enable applicant to pay its bond interest as it falls due on January 1st and July 1st of each year. As the moneys so loaned are repaid from time to time, the bonds pledged as security should be returned to Peoples Water Company *pari passu*. In other words, if the bonds are pledged at the ratio of  $2\frac{1}{2}$  to 1, bonds of the face value of two and one half dollars should be returned to applicant's treasury whenever it pays off one dollar of its indebtedness to the bank. Peoples Water Company should claim and place in its treasury such portion of these \$305,000.00 of bonds as should properly be released upon this basis. The bonds amounting to \$280,000.00, which were reported by Klink, Bean & Company as being in applicant's treasury, but which are now reported by applicant to belong to F. C. Havens, appear from applicant's statements to have been bought by Havens in the open market and to be his property. The number of bonds outstanding in the hands of the public must accordingly be increased to this extent.

A corrected statement of applicant's bonds of the issue of January 2, 1907, as of May 21, 1914, is accordingly as follows:

In hands of public, as per entries on company's books (including bonds held by Havens) .....	\$7,027,000 00
Deposited as collateral (including bonds held by First National Bank) .....	6,402,000 00
Bonds formerly issued but now held by or for Peoples Water Company .....	471,000 00
Uncertified, in treasury of Peoples Water Company .....	500,000 00
In hands of trustee to cover underlying issues .....	5,600,000 00
<b>Total .....</b>	<b>\$20,000,000 00</b>

It should be said, however, that Peoples Water Company does not know the exact number of its bonds which have been foreclosed and sold for failure to pay notes when due, although it believes that the face value of the bonds so foreclosed recently is in excess of \$500,000.00. The best that can be said is that the total of the first two items represents the total of the bonds in the hands of the public and of the bonds pledged as collateral on May 21, 1914.

In view of the situation herein outlined, and particularly of the fact that so many of this company's bonds are being foreclosed because of this company's inability to meet certain of its obligations as they become due, so that the total number of its bonds outstanding is increasing,

from time to time, without commensurate increase in the assets of this company, I am unwilling to recommend that applicant be authorized to issue any bonds in excess of those which were in the hands of the public or pledged as collateral on March 23, 1912, on which day this Commission's powers over public utility securities first became effective. For what happened before that time, this Commission is not responsible. The most that this Commission can be expected to do now is to see that by none of its acts does the condition of utilities become worse than it was before March 23, 1912. When a utility which has been improvidently or recklessly financed prior to March 23, 1912, comes before this Commission, the Commission will seek to compel the utility to better its financial condition, instead of making it worse. And while the Commission must, perforce, permit for a while many conditions to continue which it would never have sanctioned initially, it will constantly strive to bring public utility financing more nearly to the level which it should have assumed from the start.

The present financial condition of Peoples Water Company grows out of transactions which took place before the Public Utilities Act was passed and before any public authority had been granted the right to regulate the issue of stocks, bonds and other evidences of indebtedness of public utilities. Applicant's present plight is not the result of regulation, but the result of the *absence* of regulation at the time these transactions had their inception. If this Commission had been vested with authority over applicant at the time these transactions were initiated, the Peoples Water Company would not find itself in its present condition.

On March 31, 1912, the face value of applicant's bonds in the hands of the public and pledged as collateral was as follows:

In hands of public -----	\$6,746,000 00
Pledged as collateral -----	6,951,000 00
Total -----	<b>\$13,697,000 00</b>

I recommend that applicant's prayer for the issue of bonds at the ratio of  $2\frac{1}{2}$  to 1 as collateral for the entire floating indebtedness of \$3,329,883.86 be denied, but that applicant be authorized to issue and use as collateral such an amount of its bonds that the total of bonds in the hands of the public and pledged as collateral shall not exceed \$13,697,000.00, the amount outstanding for these purposes on March 31, 1912. The \$250,000.00 bonds now in the custody of Oakland Bank of Savings, and such other bonds as are available for that purpose, within the limits herein indicated, should be reserved for the purpose of securing the repayment of the moneys which must be borrowed on July 1st to pay the semiannual interest on the bonds, and as these moneys are repaid the proportionate amount of bonds should be reclaimed and re-

placed in applicant's treasury, and not again issued without this Commission's prior authorization.

I recommend, further, that Peoples Water Company be directed forthwith to present to the Commission plans for reorganization, and to report within thirty days as to what steps it has taken in the matter of securing forbearance agreements from its note holders as well as the holders of its bonds which are due on January 1, 1915. If Peoples Water Company had heeded this Commission's warning in its opinion of March 28, 1913, and had taken the steps therein indicated to replace its short-term obligations under a permanent plan of financing, the company would not now be in its present financial straits.

While the steps herein indicated are necessary to secure the existing creditors of Peoples Water Company, attention should be directed to the fact that the people of Oakland, Berkeley, Alameda, Piedmont, Richmond, Albany, Emeryville and San Leandro are dependent for water and for extensions of water service upon this utility, and that they have the right to expect that this utility will be refinanced in such a way as to place it in a position to live up fully to its obligation as a public utility.

I submit herewith the following form of order:

**ORDER.**

Peoples Water Company having applied for an order authorizing the issue of its promissory notes of a face value not to exceed \$3,329,883.86, and authorizing said company to issue and pledge as collateral security for the payment of said promissory notes Peoples Water Company general mortgage 5 per cent thirty-year gold bonds, dated January 2, 1907, and authorizing said company also to issue its promissory notes in a total amount not to exceed the sum of \$211,668.00 for the purpose of refunding certain outstanding obligations incurred in connection with the purchase of certain parcels of real property, as indicated in Schedule "D" attached to the petition herein, and a public hearing having been held on said application,

*It is hereby ordered* that Peoples Water Company be and the same is hereby authorized to issue its promissory notes in an amount not to exceed \$3,329,883.86, and also its promissory notes in an amount not to exceed the sum of \$211,668.00, and also to issue its general mortgage 5 per cent thirty-year gold bonds, not to exceed the amount hereinafter indicated, upon the following conditions and not otherwise:

1. Peoples Water Company shall realize the full face value of the promissory notes hereby authorized, and the proceeds thereof shall be used only for the purpose of paying its indebtedness as evidenced by the amounts shown to be due on unsecured notes payable, secured notes payable and accounts payable, shown on Schedule "F" attached to the petition herein, in a total amount not to exceed \$3,329,883.86, and also



for the purpose of paying its indebtedness as evidenced by a list of obligations incurred in connection with the purchase of specific parcels of real property, as shown on Schedule "D" annexed to the petition herein, in an amount not to exceed the sum of \$211,668.00.

2. Said promissory notes shall bear interest not to exceed the rates now payable on the respective notes to be refunded and not to exceed 7 per cent on notes given on account of accounts payable.

3. Peoples Water Company may issue its said 5 per cent thirty-year bonds of the issue of January 2, 1907, secured by deed of trust to Mercantile Trust Company of San Francisco, for the purpose of being used as collateral security for the promissory notes herein authorized, and for the notes which the company may have to execute to secure funds where-with to pay the bond interest payable on July 1, 1914, but only at a ratio of not to exceed two and one half dollars in bonds to one dollar in notes, and only in such amount that the total of applicant's bonds of this issue outstanding shall not exceed the total amount outstanding in the hands of the public and pledged as collateral security for loans on March 31, 1912, which total amounts to \$13,697,000.00.

4. Such bonds as Peoples Water Company has now issued or may hereafter issue as security for the payment of moneys borrowed or to be borrowed to pay the semiannual interest on the company's bonds shall be returned to the company's treasury *pari passu* as the moneys so borrowed are repaid, and shall not be again issued until this Commission's authority so to do has first been secured.

5. Peoples Water Company shall proceed forthwith to formulate and present to this Commission a plan for reorganization, and within thirty days from the date of this order shall report to this Commission the steps which it is taking to secure forbearance agreements on the part of its note holders and of the holders of the bonds which become due on January 1, 1915.

6. Peoples Water Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds derived from the issue of the promissory notes and of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Commission, stating the disposition of such promissory notes and bonds during the preceding month, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as relevant, is made a part of this order.

7. The authority hereby given to issue notes and bonds shall apply only to notes and bonds issued by said company on or before the first day of June, 1915.

8. The authority hereby given shall become effective only when applicant has paid the fee specified in section 57 as amended of the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of June, 1914.

---

Decision No. 1562, grade crossing; not printed. See end of volume.

DECISION No. 1563.

**IN THE MATTER OF THE APPLICATION OF FRESNO INTER-  
URBAN RAILWAY COMPANY FOR AUTHORITY TO ISSUE  
STOCKS AND BONDS.**

---

Application No. 1084.

*Decided June 4, 1914.*

---

Application of the Fresno Interurban Railway Company for permission to issue bonds of the face value of \$120,000.00 and stock of the par value of \$60,000.00, proceeds to be used in the construction of its line of railway from Fresno to Clovis, granted, such bonds and stock to be issued only under a supplemental order after applicant shall have complied with provisions provided herein.

*J. S. Rogers, for Applicant.*

**REPORT OF THE COMMISSION.**

**THELEN, Commissioner.**

This is an application by Fresno Interurban Railway Company for authority to issue stock and bonds to construct a standard gauge electric railroad between Fresno and Clovis, Fresno County, a distance of approximately nine miles.

The applicant herein was organized on March 31, 1914, with an authorized capital stock of \$250,000.00 divided into 2,500 shares of the par value of \$100.00 each; and with an authorized bond issue of \$250,000.00.

The applicant estimates that the railway can be constructed for \$156,000.00 and proposes to finance it by the sale of \$120,000.00 of its ten-year 6 per cent bonds at 90 per cent of par value, and the sale of 600 shares of its capital stock at \$80.00 per share. Applicant submitted the following statement of the cost of the line:

**Estimate of Cost.**

Rights of way (100 feet), 100 acres at \$300.00-----	\$30,000 00
Grounds for car barns, etc., 2 acres at \$400.00-----	800 00
Clearing, 100 acres at \$25.00-----	2,500 00
Bridging, 100 feet at \$18.00-----	1,800 00
Culverts (average), 900 feet at \$3.50-----	3,150 00
Grading, 18-foot roadbed, average 5,000 cubic yards per mile, 45,000 cubic yards at 20 cents-----	9,000 00
Ties, 2,560 per mile, 23,040 cubic yards at 75 cents-----	17,280 00
Rails, 56-pound relays, 800 tons at \$36.00-----	28,800 00
Spikes, 280 kegs at \$5.00-----	1,400 00
Splices, bolts, etc., 3,200 pairs at \$1.50-----	4,800 00
Laying and surfacing, 9 miles at \$900.00-----	8,100 00
Poles, 35-foot cedar, 450 at \$8.00-----	3,600 00
Brackets and fittings, 450 sets at \$3.20-----	1,440 00
Pole setting and stringing, 450 at \$3.00-----	1,350 00
Copper (0000), 30,000 pounds at 25 cents-----	7,500 00
Rail bonds, in place, 3,200 at 50 cents-----	1,600 00
Car barns, substations, etc.-----	5,500 00
Shelter stations and platforms-----	2,500 00
Fencing, 10 miles at \$225.00-----	2,250 00
Spurs and sidings, 3,000 feet at \$1.75-----	5,250 00
	<hr/>
	\$141,620 00
Engineering, legal and contingent, 10 per cent-----	14,160 00
	<hr/>
Total-----	\$155,780 00
Average cost per mile, \$17,309.00.	

Fresno Interurban Railway Company has filed statements with this Commission estimating that the road will serve a population of 45,600 persons, and that it will be operated at a profit. The company submits the following estimate of annual earnings:

Revenue from operation-----	\$47,681 00
Expense of operation-----	37,424 00
	<hr/>
Net revenue-----	\$10,257 00
Interest on \$120,000 bonds at 6 per cent-----	7,200 00
	<hr/>
Surplus-----	\$3,057 00

The route of the proposed road travels a fertile section devoted to vineyards, orchards and truck gardens. Certain sections along the line are being opened as residence tracts and the company expects to be able to develop a remunerative passenger business.

The railway is now being constructed by the contracting firm of Mahoney Bros., who have filed with the Commission a statement agreeing with Fresno Interurban Railway Company to furnish all rights of way, materials and labor for the construction of the proposed line, in accordance with the specifications set forth in the application herein, including all construction items except overhead expense, and to construct the entire line for the sum of \$145,000.00. It is estimated by the

company that the remaining \$11,000.00 will be required for overhead expenses. Mahoney Bros. have already begun the construction of this road, and the good faith of the projectors has been completely demonstrated.

Fresno Interurban Railway Company line will connect on Fresno avenue, at the intersection of Belmont avenue in the city of Fresno, with the Fresno Traction Company's line. At the hearing of the application herein, Mr. Rogers, appearing for the applicant, stated that a plan was under consideration by which Fresno Interurban Railway would be operated by the Fresno Traction Company. No allowance is therefore made in the estimated cost of construction for equipment.

It is clear that the projected line will be of great service to the people in Fresno and vicinity. It will open for further development and for home-building a very fertile section of land.

While I believe the application should be granted, I believe the applicant should be required to submit further detailed information before the securities are actually issued. I shall, therefore, recommend that a preliminary order be made at this time and that the actual issue of the securities be made dependent upon a subsequent order.

I recommend the following form of order:

**ORDER.**

Fresno Interurban Railway Company having applied to this Commission for authority to issue \$120,000.00 of its ten-year 6 per cent bonds, and to issue \$60,000.00 of its common stock for the purpose of building a line of railway between Fresno and Clovis, and a hearing having been held, and it appearing that the purposes for which it is desired to issue said bonds, and said stock, are not in whole or in part chargeable to operating expenses or to income,

*It is hereby ordered* that Fresno Interurban Railway Company be given authority and it is hereby given authority to issue \$120,000.00 of its ten-year 6 per cent first mortgage bonds:

*It is further ordered* that Fresno Interurban Railway Company be given authority and it is hereby given authority to issue 600 shares of its capital stock at the par value of \$100.00 per share.

The authority herein granted is given upon the following conditions and not otherwise:

1. The applicant herein shall construct a standard gauge electric railroad from Fresno to Clovis.

2. The bonds herein authorized to be issued shall be sold so as to net the applicant not less than 90 per cent of their face value.

3. The capital stock herein authorized to be issued shall be sold so as to net the applicant not less than 80 per cent of its par value.

4. The proceeds derived from the sale of bonds and stock herein authorized to be issued shall be devoted to the purpose of constructing

a standard gauge electric railroad from Fresno to Clovis in accordance with such specifications as may hereafter be approved by this Commission.

5. The total contract price to be paid the contractor for the construction of the line herein proposed to be built, including all rights of way, material and labor, shall not exceed the sum of \$145,000.00, payments to be made on a basis of monthly progress estimates in accordance with the terms of the letter of May 21, 1914, by Mahoney Bros. to Fresno Interurban Railway Company, as filed with the application herein.

6. Copies of all contracts involving expenditures of \$1,000.00 or more, and copies of all monthly progress estimates, shall be filed with this Commission.

7. The detailed estimate of cost shall be so segregated as to show the actual amount paid or to be paid for rights of way, and the amount paid or to be paid to Mr. J. B. Rogers, or others, for their efforts in obtaining rights of way.

8. The applicant herein shall file with this Commission a copy of the franchise granted by the city of Fresno for the construction and operation of that portion of the line within the city limits of Fresno.

9. The applicant herein shall file with this Commission a copy of the franchise granted by the town of Clovis for that portion of the line to be constructed within said town limits.

10. The applicant herein shall file with this Commission copies of rights of way contracts.

11. The applicant herein shall file with this Commission copies of such detailed contracts as may be entered into with Mahoney Bros. for the construction of its line of railway.

12. Fresno Interurban Railway Company shall file with this Commission a copy of such contract as may have been made with Mahoney Bros., or other parties, for the sale of its bonds and stock.

13. Fresno Interurban Railway Company shall file with this Commission a statement showing the amount paid or to be paid to Mr. J. B. Rogers, or others, for promotion services in connection with the construction of its line of railway.

14. Fresno Interurban Railway Company shall file with this Commission copies of all bonus agreements under which said railway, or individuals interested in said railway, have been paid or are to be paid sums of money by property owners along the route of said line of railway.

15. Fresno Interurban Railway Company shall file with this Commission an amended trust deed, which shall show in proper form the total amount of bonds authorized under said trust deed, and which

shall make provision for a sinking fund for the retirement of a portion of said bonds.

16. Fresno Interurban Railway Company shall file with this Commission a copy of such contract as it may make with the Fresno Traction Company for the operation of the line of the said Fresno Interurban Railway Company, or in lieu thereof, it shall file with this Commission a statement of the equipment to be used in the operation of said Fresno Interurban Railway Company's line.

17. The bonds and the stock herein authorized shall be issued only after this Commission shall have issued a supplemental order finding that Fresno Interurban Railway Company has complied with the foregoing conditions in a manner satisfactory to this Commission.

18. Fresno Interurban Railway Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds and the stock hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified report to this Commission, stating the sale or sales of said bonds and stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable is made a part of this order.

19. The authority herein given to issue stock and bonds shall apply to such stock and bonds as shall have been issued on or before May 31, 1915.

20. The authority herein given is conditioned upon the payment by the applicant of such fee as may be required under the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of June, 1914.

## DECISION No. 1564.

IN THE MATTER OF THE APPLICATION OF NORTHERN ELECTRIC RAILWAY COMPANY, MARYSVILLE-COLUSA BRANCH, AND NORTHERN ELECTRIC RAILWAY COMPANY FOR AN ORDER AUTHORIZING AN AGREEMENT FOR THE OPERATION OF THE RAILROAD OF NORTHERN ELECTRIC RAILWAY COMPANY, MARYSVILLE-COLUSA BRANCH, BY NORTHERN ELECTRIC RAILWAY COMPANY.

---

Application No. 1145.

*Decided June 5, 1914.*

---

Application of the Northern Electric Railway Company, Marysville-Colusa Branch, and the Northern Electric Railway Company, for the approval of an operating agreement in which the latter company agrees to operate the line owned by the former between Colusa and Heyman, granted, provided that the Commission shall reserve the right to alter or amend the same if necessary.

*Charles W. Slack and Chauncey S. Goodrich, for Applicants.*

REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application by Northern Electric Railway Company, Marysville-Colusa Branch, and Northern Electric Railway Company for an order authorizing applicants, under the provisions of section 51 of the Public Utilities Act, to enter into an agreement, a copy whereof is attached to the petition herein and marked "Exhibit A."

The petition recites that the Northern Electric Railway Company, Marysville-Colusa Branch, hereinafter referred to as the Marysville and Colusa Branch, is the owner of a railroad from Colusa in a general easterly and northeasterly direction, to a station known as Heyman, in Sutter County; that the Marysville and Colusa Branch has no motors, cars, or other equipment for its operation, but that the Northern Electric Railway Company, hereinafter called the Northern Electric, has sufficient motors, cars, and other equipment for the operation of this line; and that the parties consider that it would be to their mutual advantage to enter into the agreement.

The parties then agree, in part, as follows: that Northern Electric shall forthwith enter into the possession of the railroad of the Marysville and Colusa Branch, and shall operate and maintain the same for the account of the Marysville-Colusa Branch; that the Northern Electric shall furnish all motors, cars and other equipment necessary for the operation of said line of railroad, and shall operate and maintain a sufficient and adequate service for the transportation of passen-

gers, freight, baggage, mail and express matter over the railroad of the Colusa and Marysville Branch between Colusa and Heyman, and over the line of the Northern Electric between Heyman and Marysville; that the Northern Electric shall keep the railroad of the Marysville and Colusa Branch in good repair, and will perform all the lawful requirements of public authorities; that the Northern Electric will pay for account of the Marysville and Colusa Branch all interest and sinking fund payments on the bonds of the Marysville and Colusa Branch; that the Northern Electric will pay to the Marysville and Colusa Branch fifty per cent of the net income derived from the operation of the railroad of the Marysville and Colusa Branch, which net income shall be ascertained by deducting from the gross income the entire cost of operating and maintaining the railroad of the Marysville and Colusa Branch, together with a pro rata charge for the use of the Northern Electric's railroad between Heyman and Marysville, and all taxes, insurance, interest on bonds and sinking fund payments made by the Northern Electric, but no deductions shall be made for the original cost of motors, cars, or other equipment furnished by the Northern Electric or for the use of tracks or other property of the Northern Electric, except as otherwise specified; that the agreement shall continue in force until December 1, 1941, and thereafter until terminated by either party, by notice in writing of at least sixty days given to the other, subject to termination at any time by the Marysville and Colusa Branch on the failure of the Northern Electric to perform its agreements; and that the agreement will be binding upon and shall inure to the benefit of the successors and assigns of the respective parties.

A public hearing on this application was held in the city of San Francisco on June 4, 1914. The evidence shows that the Marysville and Colusa Branch was incorporated by the principal stockholders of the Northern Electric Railway Company for the purpose of constructing a line of railroad between Marysville and Colusa. This line has actually been constructed between Colusa and Heyman, a station on the line of the Northern Electric between Colusa and Marysville. A separate corporation was formed so that bonds might be issued secured by a first mortgage on all the new property. Bonds of the face value of \$750,000.00 were sold at ninety-five per cent of their face value. Applicants' witnesses testified that the difference between the total cost of some \$900,000.00 and the sum of \$712,500.00 derived from the sale of the bonds, was principally advanced on open account by the four men who are the principal stockholders of the Northern Electric Railway Company. While capital stock of the par value of \$1,500,000.00 is outstanding, the company has derived from the sale of this stock only \$2,700.00. This financing was done prior to the effective date of the Public Utilities Act.



The Marysville and Colusa Branch has been operated since June 15, 1913, under an arrangement similar to that which is now embodied in the agreement for the execution of which this Commission's formal consent is now asked.

No one appeared in opposition to the granting of the application and I see no good reason to withhold this Commission's approval, with the understanding that the terms of the agreement will be subject at all times to revision or alteration by this Commission or other competent public authority.

I recommend that the application be granted, and submit herewith the following form of order:

**ORDER.**

Northern Electric Railway Company, Marysville-Colusa Branch, and Northern Electric Railway Company, having applied to the Railroad Commission, under the provisions of section 51 of the Public Utilities Act, for an order authorizing the execution of an agreement affecting the possession and operation of the line of railroad of Northern Electric Railway Company, Marysville-Colusa Branch, between Colusa, in Colusa County, and Heyman, in Sutter County, a copy of which agreement is attached to the petition herein and marked "Exhibit A," and a public hearing having been held on said application, and no one appearing in opposition thereto,

*It is hereby ordered* that said application be and the same is hereby granted, on condition that the Railroad Commission or other competent public authority shall at all times have the right to revise or alter all or any of the terms of said agreement.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 5th day of June, 1914.

## DECISION No. 1565.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO AND WOODLAND RAILROAD COMPANY AND NORTHERN ELECTRIC RAILWAY COMPANY FOR AN ORDER AUTHORIZING AN AGREEMENT FOR THE OPERATION OF THE RAILROAD OF SACRAMENTO AND WOODLAND RAILROAD COMPANY BY NORTHERN ELECTRIC RAILWAY COMPANY.

---

Application No. 1115.

*Decided June 5, 1914.*

---

Application of the Sacramento and Woodland Railroad Company and the Northern Electric Railway Company for the approval of an operating agreement in which the latter company agrees to operate the line owned by the former, granted, provided that the Commission reserves the right to alter or amend such agreement at any time it may deem necessary.

*T. T. C. Gregory*, for Sacramento and Woodland Railroad Company.  
*Charles W. Slack* and *Chauncey S. Goodrich*, for Northern Electric Railway Company.

*Eugene S. Wachhorst*, district attorney, and *F. E. Atkinson*, assistant district attorney, for County of Sacramento.

*A. G. Bailey*, district attorney, for county of Yolo.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application on the part of Sacramento and Woodland Railroad Company and Northern Electric Railway Company for an order authorizing these companies to enter into an agreement, a copy whereof is attached as Exhibit "A" to the petition herein.

The agreement recites that the Sacramento and Woodland Railroad Company, hereinafter referred to as the Sacramento and Woodland, is the owner of a line of railroad commencing in the city of Woodland and running thence in a general easterly and southeasterly direction to a point at or near the westerly end of the so-called M-street bridge, across the Sacramento River, connecting the city of Sacramento with the town of Brederick; that the Sacramento and Woodland has no motors, cars, or other equipment for the operation of the railroad and that the Northern Electric Railway Company, hereinafter referred to as the Northern Electric, has sufficient motors, cars, and other equipment for the operation of the Sacramento and Woodland's line of railroad; that the Northern Electric owns a certain parcel of land in Woodland on which the Sacramento and Woodland has constructed passenger and

freight depots and yards, and that the Northern Electric also owns or has control of franchises and tracks for the operation of a railroad in the city of Sacramento, between the M-street bridge and the passenger terminal situated at Eighth and J streets, in Sacramento; that the Northern Electric is the lessee of said passenger terminal, and also of a freight terminal in Sacramento, and also the owner of a two-thirds interest in the M-street bridge; and that the parties to the agreement deem it to their mutual interest to enter into it. The agreement then provides as follows: that the Northern Electric may enter into the possession of the Sacramento and Woodland's line of railroad and operate and maintain the same for account of the Sacramento and Woodland; that the Northern Electric shall furnish all necessary motors, cars, and other equipment, and shall operate and maintain a sufficient and adequate service for the transportation of passengers, freight, baggage, mail and express matter between Woodland and the Northern Electric's terminals in Sacramento; that the Northern Electric shall keep said line of railroad in good condition, and shall perform all lawful requirements pertaining to the operation thereof; that the Northern Electric shall pay all lawful taxes, assessments, and other governmental charges for the account of the Sacramento and Woodland; that the Northern Electric shall pay for the account of the Sacramento and Woodland the interest and sinking fund on the Sacramento and Woodland's bonds; that the Northern Electric shall, if called upon by the Sacramento and Woodland, execute to the latter a lease of the Northern Electric's said real estate in the city of Woodland; that the Northern Electric shall pay to the Sacramento and Woodland fifty per cent of the net income to be derived by the Northern Electric from the operation of said line of railroad, the net income to be ascertained by deducting from the gross income derived from the operation of the Sacramento and Woodland's line of railroad the cost of operating and maintaining the same, a pro rata charge for the use of said passenger and freight depots in Sacramento, the cost of operation and maintenance of a local street car service in Sacramento, if required by the Northern Electric, and all taxes, insurance, interest on bonds and sinking fund payments made by the Northern Electric; that no deductions from sinking fund shall be made for the original cost of any motors, cars, or other equipment furnished by the Northern Electric, or for the use of the M-street bridge, or of any other property belonging to or controlled by the Northern Electric, except as in the agreement provided; that the agreement shall remain in force from and after its date until July 1, 1941, and thereafter until terminated by either of the parties by notice in writing of at least sixty days, subject to the right of the Sacramento and Woodland to terminate the agreement at any time on the failure of the Northern Electric to keep any

of its agreements; and that the agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties thereto.

A public hearing on this application was held in the city of San Francisco on June 4, 1914. The county of Sacramento and the county of Yolo were represented and made certain objections to the proposed agreement, particularly with reference to the sharing of the gross income resulting from the operation of the line of the Sacramento and Woodland. They drew attention particularly to the provision to the effect that the Sacramento and Woodland should be charged with the cost of operating and maintaining the local street car service within the city of Sacramento, if the same should be required by the Northern Electric. The applicants drew attention to the fact that if a charge were made to the Sacramento and Woodland for interest on the cost of the M-street bridge, such charge would be in excess of the amount payable by Sacramento and Woodland in connection with the cost of operation and maintenance of the street car service in the city of Sacramento.

After a full discussion, all parties agreed that the application might be granted subject to a condition permitting this Commission, or other competent public authority, at any time, to revise or modify any of the terms of the agreement. The purpose of this condition is to leave the hands of the public authorities free, so that in any rate fixing inquiry or otherwise, the public authorities will not be bound by any of the terms of this agreement, and may take such action with reference thereto as may seem appropriate. While the Railroad Commission undoubtedly has this power in any event, no harm will be done by inserting this specific provision in the order herein.

The district attorneys of Sacramento and Yolo counties drew attention to the fact that the Northern Electric has a franchise to operate between Sacramento and Woodland, and took the position that, in view of this franchise, the Northern Electric has the right to use the M-street bridge to operate between Sacramento and Woodland, even though the line over which it operates from the west end of the bridge to Woodland was constructed and is owned by another company. As was pointed out at the hearing, it is unnecessary to go into this matter at this time, for the reason that the property into the possession whereof the Northern Electric is to enter, extends from Woodland only to the west end of the M-street bridge.

I submit herewith the following form of order:

**ORDER.**

Sacramento and Woodland Railroad Company and Northern Electric Railway Company having filed their petition asking that this Commission issue its order authorizing them to enter into an agreement affecting the possession and operation of the line of railroad of the

Sacramento and Woodland Railroad Company, between the west end of the Sacramento M-street bridge and the town of Woodland, a copy of which proposed agreement is attached to the petition herein marked "Exhibit A," and a public hearing having been held, and the application having been submitted,

*It is hereby ordered* that Sacramento and Woodland Railroad Company and Northern Electric Railway Company be and the same are hereby authorized to enter into an agreement, substantially in the form of Exhibit "A" attached to the petition herein, subject to the right of the Railroad Commission, or other competent public authority, at any time, in any rate fixing inquiry or otherwise, to revise or alter any of the terms of said agreement.

- The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 5th day of June, 1914.

---

Decisions Nos. 1566 and 1567, grade crossings: not printed. See end of volume.

#### DECISION No. 1568.

IN THE MATTER OF THE APPLICATION OF GLENDALE AND MONTROSE RAILWAY FOR AUTHORITY TO CONVEY A CERTAIN LOT OF REAL PROPERTY TO THE CITY OF GLENDALE.

---

Application No. 1162.

*Decided June 9, 1914.*

---

*Wm. T. Blakeley*, for Applicant.

*W. E. Evans*, for City of Glendale.

#### REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

Glendale and Montrose Railway having applied to this Commission for permission to convey to the city of Glendale a certain lot of real property in said city, more particularly described as

Lot "A" of Tract 250, as per map recorded in Book 15, pages 130 and 131 of Maps, records of Los Angeles County;

and a public hearing having been held on this matter, and the city of Glendale having joined in the application, and the Commission being of the opinion that the application should be granted,

*It is hereby ordered* that Glendale and Montrose Railway be, and it hereby is, authorized to convey to the city of Glendale that certain lot of real property in said city, more particularly described as

Lot "A" of Tract 250, as per map recorded in Book 15, pages 130 and 131 of Maps, records of Los Angeles County.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of June, 1914.

Decisions Nos. 1569, 1570 and 1571, grade crossings; not printed. See end of volume.

DECISION No. 1572.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORIZATION TO EXERCISE RIGHTS AND PRIVILEGES UNDER FRANCHISES GRANTED BY THE COUNTY OF LOS ANGELES, THE CITY OF VERNON AND THE CITY OF COMPTON.

---

Application No. 1161.

*Decided June 9, 1914.*

---

Applicant granted a certificate of public convenience and necessity authorizing it to exercise rights granted under franchise secured from the county of Los Angeles and the cities of Vernon and Compton, authorizing the construction and operation of a gas distributing system.

*O'Melveny, Stevens & Millikin and Sayre Macneil*, for Applicant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This Commission having in its order in Application No. 165, made on August 13, 1912, provided

"The application of Southern California Gas Company for a certificate that the present or future public convenience and necessity require or will require the construction of said gas pipe line and distributing system in the county of Los Angeles and the cities of Vernon, Huntington Park and Compton in said county and the application of said Southern California Gas Company for an order declaring that this Commission will hereafter, upon application, issue a certificate that public convenience and necessity require or will require the exercise of rights or privileges under franchises or permits not now but hereafter to be secured from the county of Los Angeles and the cities of Vernon, Huntington Park and Compton, is hereby granted."

And Southern California Gas Company having been granted the right to construct and operate a gas distributing system in a portion of the county of Los Angeles and in the cities of Vernon and Compton, by Ordinance No. 308 (new series) of the county of Los Angeles, adopted and approved August 19, 1912; Ordinance No. 89 of the city of Vernon, adopted and approved on September 4, 1912, and Ordinance No. 85, of the city of Compton, adopted on August 20, 1912, respectively; and it appearing that Southern California Gas Company has stipulated that the condition inserted in section VI of Ordinance No. 308, in the county of Los Angeles, providing

“That the grantee of said franchise, his successors or assigns shall upon request from any person residing along the line of said pipe line, and upon the payment of his, its or their reasonable charges for making the connection and for furnishing gas, furnish to such person an adequate supply of such gas for domestic or manufacturing use,”

shall not be construed, nor shall any part thereof be construed, by or on behalf of applicant as limiting in any way the lawful power of the Railroad Commission of the State of California at any time to make and enforce as fully and effectually as though such condition had not been inserted in said franchise, any order concerning or affecting the making by said applicant of extensions or of service connections, or the payment of the cost of making any of the same or concerning or affecting the persons for whose benefit the extensions or connections shall be made, and that neither applicant, its successors or assigns, shall at any time interpose said condition above mentioned or any part thereof as a defense or objection to the lawful order of the Railroad Commission as to any of the matters therein enumerated; and applicant having applied for a certificate that public convenience and necessity require the exercise of the three ordinances above mentioned,

*It is hereby declared* that public convenience and necessity require the exercise by Southern California Gas Company of the rights and privileges granted to it by the county of Los Angeles in Ordinance No. 308 (new series), and by the city of Vernon in Ordinance No. 89, and by the city of Compton in Ordinance No. 85.

The foregoing order is hereby approved and adopted as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of June, 1914

## DECISION No. 1573.

IN THE MATTER OF THE APPLICATION OF NORTHERN ELECTRIC RAILWAY COMPANY FOR AN ORDER AUTHORIZING A SALE OF A CERTAIN PARCEL OF LAND IN THE CITY OF WOODLAND, COUNTY OF YOLO, STATE OF CALIFORNIA, TO R. B. CRANSTON.

---

Application No. 1128.

*Decided June 9, 1914.*

---

Applicant authorized to transfer to R. B. Cranston a certain parcel of land in the city of Woodland, not used or useful in its duties as a utility, so as to release said property from the mortgage executed by applicant covering all of its property.

*T. T. C. Gregory*, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

Applicant shows that it is a corporation organized and existing under and by virtue of the laws of the State of California, having its principal place of business in the city and county of San Francisco, California, and was organized for the purpose of transporting passengers and freight, by rail, in cities and towns and places within said State of California, as is more particularly set forth in a certified copy of its amended articles of incorporation, heretofore filed with the Railroad Commission and referred to and made a part of this application.

Applicant further shows that the Vallejo and Northern Railroad Company is a corporation also organized and existing under and by virtue of the laws of the State of California, having its principal place of business in the city and county of San Francisco, California, and also organized for the purpose of transporting passengers and freight, by rail, between cities and towns and places within the State of California, as set forth in certified copy of its articles of incorporation heretofore filed with the Railroad Commission and referred to and made a part of this application.

That on February 18, 1913, said Vallejo and Northern Railroad Company was the owner of all of that certain lot, piece or parcel of land lying and being in the city of Woodland, Yolo County, California, and bounded and particularly described as follows, to wit:

“A tract of land bounded on the east by Second street, on the north by an alley, on the west by lands of Armstrong & Alge and on the south by lands of Emily Hollingsworth and Armstrong & Alge, together with all the tenements, hereditaments and appurtenances whatsoever, to the same belonging or in any wise appertaining.”



That on or about the 18th day of February, 1913, after a hearing duly held by the Railroad Commission of the State of California upon Application No. 382, the Railroad Commission authorized by its Decision No. 464, said Vallejo and Northern Railroad Company to sell, transfer, and convey to said Northern Electric Railway Company, subject to certain conditions, all the properties and franchises owned, held and enjoyed by said Vallejo and Northern Railroad Company; that thereafter, on or about the 18th day of February, 1913, said Vallejo and Northern Railroad Company, under the authority given by the Railroad Commission in said Order No. 464, delivered to said Northern Electric Railway Company an instrument, in writing, dated January 21, 1913, by which said Vallejo and Northern Railroad Company sold, assigned, transferred, and set over said property and franchises to said Northern Electric Railway Company, its successors and assigns.

That the Northern Electric Railway Company, applicant herein, in the conducting of its business, as aforesaid, and in the performance of its public duties as a corporation engaged in the transportation of freight and passengers by rail, actually uses and has use for only a portion of that tract of land hereinabove described; that the following described portion of said tract of land above described is not used or useful to applicant, the Northern Electric Railway Company, in the discharge of its duties as a common carrier:

A piece or parcel of land in the block bounded by Main street, First street, Lincoln avenue and Second street in the city of Woodland, county of Yolo, State of California, and more particularly described as follows, to wit:

Beginning at a point on the southerly line of the 20-foot alley which runs east and west in the block bounded by Main street, First street, Lincoln avenue and Second street, in the city of Woodland, county of Yolo, State of California, said point being distant 144.8 feet westerly along said southerly line from the point where said southerly line produced easterly, intersects the center line of Second street, said intersection of the southerly line of said alley produced, with the center line of Second street, being distant southerly along said center line of Second street 217.4 feet from a city monument located at the intersection of the north line of Main street with the center line of said Second street; thence from said point of beginning, southerly at right angles from said southerly line of said alley, a distance of 68 feet, more or less, to a point; thence westerly at right angles a distance of 41.4 feet, more or less, to a point, said point being the southeast corner of a brick building; thence northerly a distance of 68 feet, more or less, to a point on the southerly line of said 20-foot alley; thence easterly along the southerly line of said alley a distance of 41.4 feet, more or less, to the point of beginning.

Containing 2.815.2 square feet, more or less.

That applicant, the Northern Electric Railway Company, has sold and conveyed the last named parcel of land to R. B. Cranston, for a

consideration of \$800.00, a part of which consideration, to wit, \$360.00, has been paid to the Yolo County Savings Bank to secure a release of mortgage held by said bank on said parcel of land; that said parcel of land is also subject to the lien of the first mortgage or deed of trust heretofore, to wit, on December 1, 1911, executed and delivered by the Vallejo and Northern Railroad Company to the Mercantile Trust Company of San Francisco, and is also subject to the deed of trust of applicant herein, the Northern Electric Railway Company, to the Mercantile Trust Company of San Francisco, as trustee, dated December 2, 1907; that the purchaser of said parcel of land now desires that said land be released from said liens and that said Mercantile Trust Company of San Francisco, the trustee under said first mortgage or deeds of trust requires the authorization of the Railroad Commission to the trustee, from applicant herein, the Northern Electric Railway Company, to said R. B. Cranston, before releasing said parcel of land from said deeds of trust heretofore executed by the Northern Electric Railway Company and Vallejo and Northern Railroad Company to said Mercantile Trust Company of San Francisco, as set forth above.

The parcel of land hereinabove first described as being the property of the Vallejo and Northern Railroad Company was purchased by that company for the purpose of furnishing a site for a depot for that company. The tract was larger than was required for depot purposes, and as was set forth by applicant at the hearing, that portion which applicant has conveyed to R. B. Cranston, more particularly described above, is not used or useful to applicant in the discharge of its duty as a public utility.

I find this to be a fact, and recommend the approval of the sale by applicant to R. B. Cranston.

#### ORDER.

Northern Electric Railway Company, for reasons set forth in the opinion preceding this order, having applied to this Commission for the approval of a sale of a certain parcel of land more particularly described as follows:

A piece or parcel of land in the block bounded by Main street, First street, Lincoln avenue and Second street, in the city of Woodland, county of Yolo, State of California, and more particularly described as follows, to wit:

Beginning at a point on the southerly line of the 20-foot alley which runs east and west in the block bounded by Main street, First street, Lincoln avenue and Second street, in the city of Woodland, county of Yolo, State of California, said point being distant 144.8 feet westerly along said southerly line from the point where said southerly line, produced easterly, intersects the center line of Second street, said intersection of the southerly line of said alley produced, with the center line of Second street being distant southerly along said center line of Second street 217.4 feet from a

city monument located at the intersection of the north line of Main street with the center line of said Second street; thence from said point of beginning, southerly at right angles from said southerly line of said alley, a distance of 68 feet, more or less, to a point; thence westerly at right angles a distance of 41.4 feet, more or less, to a point, said point being the southeast corner of a brick building; thence northerly a distance of 68 feet, more or less, to a point on the southerly line of said 20-foot alley; thence easterly along the southerly line of said alley a distance of 41.4 feet, more or less, to the point of beginning.

Containing 2,815.2 square feet, more or less.

And the Commission having found that said parcel of land is not and was not useful to applicant in the discharge of its duties to the public as a common carrier engaged in the transportation of freight and passengers between points and places in California,

*It is hereby ordered* that the sale and transfer by said Northern Electric Railway Company of the parcel of land above described to R. B. Cranston be and the same is hereby approved.

By order of the Railroad Commission.

Dated at San Francisco, California, this 9th day of June, 1914.

#### DECISION No. 1574.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORIZATION TO EXERCISE RIGHTS AND PRIVILEGES UNDER A FRANCHISE HERETOFORE GRANTED TO IT BY THE CITY OF BURBANK, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

---

Application No. 1158.

*Decided June 9, 1914.*

---

Applicant granted a certificate of public convenience and necessity permitting it to exercise franchise rights authorizing the construction and operation of a gas distributing system in the city of Burbank.

*O'Melveny, Stevens & Millikin and Sayre MacNeil, for Applicant.*

#### REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

Southern California Gas Company having applied to this Commission for a certificate declaring that public convenience and necessity

require the exercise by applicant of the rights and privileges granted to it by the city of Burbank in Ordinance No. 32, adopted and approved on May 4, 1912, by which ordinance applicant is given the right to construct and operate a gas distributing system in the city of Burbank; and it appearing that no other person, firm, or corporation is serving gas in said city; and it appearing further that applicant has stipulated that the conditions in section 7 of said ordinance providing:

“That said grantee of this franchise, his, its or their successors or assigns shall upon request and upon payment of his, its or their reasonable charges for making connection for furnishing gas, furnish to any inhabitant or company in said city of Burbank an adequate supply of gas for domestic or manufacturing use or for both such purposes.”

shall not be construed, nor shall any part thereof be construed by or on behalf of said applicant as limiting in any way the lawful power of the Railroad Commission of the State of California at any time to make and enforce as fully and effectually as though said condition had not been inserted in said ordinance, any order concerning or affecting the making by said applicant of extensions or of service connections, or the payment of the cost of making any of the same, or concerning or affecting the persons for whose benefit the extensions or connections shall be made, and that neither applicant nor its successors or assigns, shall, at any time interpose said conditions, or any part thereof, as a defense or objection to the lawful order of the Railroad Commission as to any of the matters herein enumerated.

It is hereby declared that public convenience and necessity require the exercise by Southern California Gas Company of the rights and privileges granted to it by the city of Burbank, County of Los Angeles, State of California, in Ordinance No. 32 adopted and approved on May 4, 1912.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of June, 1914.

## DECISION No. 1575.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORIZATION TO EXERCISE RIGHTS AND PRIVILEGES UNDER A FRANCHISE HERETOFORE GRANTED TO IT BY THE CITY OF TROPICO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

---

Application No. 1159.

*Decided June 9, 1911.*

---

Applicant granted a certificate of public convenience and necessity, permitting the exercise of franchise rights granted by the city of Tropicco, authorizing the construction and operation of a gas distributing system in said city.

*O'Melveny, Stevens & Millikin and Sayre MacNeil, for Applicant.*

*Henry P. Goodwin, for City of Tropicco.*

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

Southern California Gas Company having applied to this Commission for a certificate declaring that public convenience and necessity require the exercise by applicant of the rights and privileges granted to it by the city of Tropicco in Ordinance No. 52, adopted and approved on January 23, 1913, by which ordinance applicant is given the right to construct and operate a gas distributing system in the city of Tropicco; and it appearing that no other person, firm or corporation is serving gas in said city; and it appearing further that applicant has stipulated that the conditions in section 5 of said ordinance providing:

“That the grantee of said franchise, his successors or assigns shall upon request from any person residing along the line of said pipe line, and upon the payment of his, its or their reasonable charges for making the connection and for furnishing gas, furnish to such person an adequate supply of such gas for domestic or manufacturing use,”

shall not be construed, nor shall any part thereof be construed by or on behalf of said applicant as limiting in any way the lawful power of the Railroad Commission of the State of California at any time to make and enforce as fully and effectually as though said condition had not been inserted in said ordinance, any order concerning or affecting the making by said applicant of extensions or of service connections, or the payment of the cost of making any of the same, or concerning or affecting the persons for whose benefit the extensions or connections shall be made, and that neither applicant nor its successors or assigns

shall, at any time interpose said conditions, or any part thereof, as a defense or objection to the lawful order of the Railroad Commission as to any of the matters herein enumerated.

*It is hereby declared* that public convenience and necessity require the exercise by Southern California Gas Company of the rights and privileges granted to it by the city of Tropic, county of Los Angeles, State of California, in Ordinance No. 52 adopted and approved on January 23, 1913.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of June, 1914.

DECISION No. 1576.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR PERMISSION TO ISSUE BONDS.

---

Application No. 1165.

*Decided June 9, 1914.*

---

Applicant authorized to issue \$30,000.00 face value of its bonds, heretofore authorized to be applied in part payment of the purchase of the plant of the Downey Light, Power and Water Company.

*H. H. Trowbridge, for Applicant.*

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner.*

This Commission having, in its order made in Application No. 350 on January 27, 1913, authorized Southern California Edison Company to issue its 5 per cent bonds, Nos. 15,373 to 17,872, both inclusive, upon certain conditions and for certain purposes therein specified, and this Commission having, in its order in Application No. 1058, made on May 14, 1914, authorized Downey Light, Power and Water Company to sell its electric distributing system in Downey, Los Angeles County, California, to the Southern California Edison Company for \$50,938.30, and Southern California Edison Company having filed the present application for permission to issue at par its 5 per cent bonds, Nos. 17,522 to 17,551, both inclusive, of the par value of \$30,000.00 to be applied as part of the purchase price to be paid for the system of the Downey Light, Power and Water Company in Downey, Los Angeles County, California, and a public hearing having been held upon this appli-

cation and the Commission finding that the purpose to which these bonds are to be applied is not in whole nor in part chargeable to operating expenses or to income,

*It is hereby ordered* that Southern California Edison Company, a corporation, be and it hereby is authorized to issue its 5 per.cent bonds due November 1, 1939, Nos. 17,522 to 17,551, both inclusive, upon the following conditions and not otherwise, to wit:

1. Said bonds shall be issued so as to net applicant the par value thereof;

2. Said bonds shall be issued for the purpose of providing part of the consideration to be paid for the electric distributing system of the Downey Light, Power and Water Company in the city of Downey, county of Los Angeles, State of California, the transfer of which system to Southern California Edison Company was authorized by this Commission in its order made in Application No. 1058 on May 14, 1914:

3. Applicant shall keep full, true, and accurate account of the disposition of the bonds herein authorized to be issued, and shall, on or before the twenty-fourth day of each month, make a verified report to the Commission, stating the number of bonds issued during the preceeding month and the consideration which was received therefor, all in accordance with this Commission's General Order No. 24, which, in so far as applicable, is made a part of this order;

4. The authority herein granted applicant to issue bonds shall apply only to bonds which are issued on or before January 1, 1915.

Inasmuch as this order merely authorizes the issuance of bonds for a purpose different from that for which the same bonds were formerly authorized to be issued by the order of this Commission made in Application No. 350, no fee is due from applicant under section 57 of the Public Utilities Act for the present authorization.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of June, 1914.

## DECISION No. 1577.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORIZATION TO EXERCISE RIGHTS AND PRIVILEGES UNDER A FRANCHISE HERETOFORE GRANTED TO IT BY THE CITY OF SAN FERNANDO, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

---

Application No. 1160.

*Decided June 9, 1914.*

---

Applicant granted a certificate of public convenience and necessity, permitting it to exercise rights under a franchise granted by the city of San Fernando, authorizing the construction and operation of a gas distributing system.

*O'Melveny, Stevens & Millikin*, for Applicant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

Southern California Gas Company having applied to this Commission for a certificate declaring that public convenience and necessity require the exercise by applicant of the rights and privileges granted to it by the city of San Fernando in Ordinance No. 68, adopted and approved on March 3, 1913, by which ordinance applicant is given the right to construct and operate a gas distributing system in the city of San Fernando; and it appearing that no other person, firm or corporation is serving gas in said city; and it appearing further that applicant has stipulated that the conditions in section 5 of said ordinance providing—

“That the grantee of said franchise, his successors or assigns shall upon request from any person residing along the line of said pipe line, and upon the payment of his, its or their reasonable charges for making the connection and for furnishing gas, furnish to such person, an adequate supply of such gas for domestic or manufacturing use,”

shall not be construed, nor shall any part thereof be construed by or on behalf of said applicant as limiting in any way the lawful power of the Railroad Commission of the State of California at any time to make and enforce as fully and effectually as though said condition had not been inserted in said ordinance, any order concerning or affecting the making by said applicant of extensions or of service connections, or the payment of the cost of making any of the same, or concerning or affecting the persons for whose benefit the extensions or connections



shall be made, and that neither applicant nor its successors or assigns shall, at any time, interpose said conditions, or any part thereof, as a defense or objection to the lawful order of the Railroad Commission as to any of the matters herein enumerated,

*It is hereby declared* that public convenience and necessity require the exercise by Southern California Gas Company of the rights and privileges granted to it by the city of San Fernando, county of Los Angeles, State of California, in Ordinance No. 68, adopted and approved on March 3, 1913.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th day of June, 1914.

---

DECISION No. 1578.

KERN COUNTY MERCHANTS' ASSOCIATION

*vs.*

CALIFORNIA NATURAL GAS COMPANY ET AL.

CASE No. 357.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION  
INTO THE RATES OF THE BAKERSFIELD GAS AND  
ELECTRIC COMPANY.

---

Case No. 556.

*Decided June 11, 1914.*

---

Defendant's application for a rehearing in the above entitled matter dismissed.

*E. J. Emmons* and *W. E. Simpson*, for Kern County Merchants' Association.

*Pillsbury, Madison & Sutro*, for California Natural Gas Company.

*Short & Sutherland*, for Bakersfield Gas and Electric Company and  
San Joaquin Light and Power Corporation.

*Rollin Laird* and *W. B. Beaizley*, for City of Bakersfield.

REPORT OF THE COMMISSION.

OPINION ON APPLICATION FOR REHEARING.

ESHLEMAN, *Commissioner*.

Petitioner, Bakersfield Gas and Electric Company, sets up as a fact that the evidence in this case shows actual losses in operating expenses over and above gross earnings during the years 1911 and 1912 amounting to \$38,711.66 and \$7,833.70, respectively. In the hearing in this

case petitioner did not introduce its books in evidence and the only evidence bearing on the subject of the alleged deficit is the statement appearing on pages 3 and 4 of the report prepared by the J. G. White Engineering Corporation and introduced in evidence as Bakersfield Gas and Electric Company's Exhibit No. 1. The deficit appearing in the J. G. White report is obtained by comparing the gross earnings of the Bakersfield Gas and Electric Company during 1911 and 1912, which appears as \$73,588.11 and \$125,619.52, respectively, for the two years, with the operating expenses for the same years to which expense has been added interest at 8 per cent on an estimated value and also estimated depreciation and amortization annuities amounting to \$24,685.00 for 1911 and \$25,376.00 for 1912. As a matter of fact, the financial statement filed by petitioner for the year ending December 31, 1913, was only \$15,344.36 under the heading of "General Amortization of Capital," and it is not apparent why the Commission should be expected to take cognizance of and accept as an established fact the very much larger depreciation and amortization items estimated by J. G. White & Company for the years 1911 and 1912, neither does it appear why in setting up a hypothetical deficit the operations of the company were not carried back several years previous to the year 1911. The following statement appears on page 8 of the J. G. White & Company's report:

"Upon the introduction of natural gas (Dec. 29, 1910) a sliding scale of rates was adopted with \$1.00 the maximum rate applying to all consumption over 10,000 cubic feet per month. An immediate decrease in gas sales was noted, due to the higher calorific value of the new fuel, but *this effect was only temporary. A steady and continuous increase followed and the gross earnings of 1911 were only slightly lower than those of the previous year.*"

From the above statement it is apparent that the gross earnings during 1911, instead of showing the normal increase, were lower than those of the previous year, and it would seem as though the hypothetical deficit for the years 1911 and 1912 would have been very much reduced or entirely compensated for if the operations of the company had been taken back to the period preceding the introduction of natural gas. It can not be said that the introduction of natural gas served to lessen the cost of production during 1911 and 1912, if we are to take the average cost of that gas as shown on page 3 of the J. G. White report. The average cost of gas as shown is 38.9 cents and 31.5 cents, respectively, for the years 1911 and 1912, which would probably exceed the cost of production in the company's artificial gas plant.

If we substitute for the estimated depreciation and amortization used by J. G. White & Company in arriving at an alleged deficit for the two years, amounting to \$46,545.36, the actual depreciation shown in the company's statement for the year 1913, and if we include

the year 1913, we find that the net earnings for the three years are \$344,383.64 and the total expense for the same period is \$362,104.53, leaving an apparent deficit of \$17,140.88, or only about 36.8 per cent of that shown in the J. G. White & Company's report for the years 1911 and 1912. It is inconceivable that the depreciation during 1912 and 1911 should be 160 per cent of that shown by the books of the company for the year 1913, and hence I am of the opinion that the Commission is justified in entirely disregarding the depreciation and amortization expense shown in the White report.

If we go a step further and substitute the depreciation annuity found to be reasonable in the Commission's decision in Cases 357 and 556, we find that the total expense including interest and depreciation for the years 1911, 1912 and 1913 shows \$336,603.96, as compared with gross earnings of \$344,388.64, leaving an apparent net profit for the three years' operation of \$7,779.68. If we add to the net profit above noted the credit which the gas department should receive from the electric department for gas furnished to the steam plant of the San Joaquin Light and Power Corporation for the year 1913, amounting to \$2,075.87, we find that the actual net profit for the three years is \$9,855.55 instead of a deficit of \$46,545.36 for the years 1911 and 1912.

In considering the matter of development expense set up in the petition for rehearing, it is necessary to refer briefly to the question of depreciation and it is found that the amounts allowed by J. G. White & Company for the years 1911 and 1912 equal 8.6 per cent and 8.76 per cent, respectively, for the two years. These rates of depreciation on a straight line basis would correspond to a life of 11.6 years in 1911 and 11.4 years in 1912 for all the property of the company including real estate and working capital, and on a sinking fund basis, with interest at 6 per cent would correspond to a life of less than nine years. It is not necessary to go into extensive detail on this subject in order to point out the fact that such an allowance for depreciation is of course excessive, and I desire to call attention to the depreciation annuity allowed by the Commission in this case, which corresponds to a life of approximately twenty-two years for the entire property, which is at least liberal.

The petition for rehearing sets up as a fact that the rates provided by the Commission are not adequate to enable the company to earn a reasonable rate upon the proper values of the plant and system after meeting all operating costs and providing an adequate depreciation reserve. This allegation opens up the question of the present value allowed by the Commission in this case amounting to \$297,856.70, and in comparing the value on which the Commission allowed a return with other values concerning which testimony was introduced it is of

interest to note that the present value, including the entire \$14,163.90 additions to capital to March 1, 1914, and "Working Capital" as allowed by Mr. Cory and Mr. Kelley was \$263,521.90 and \$265,323.90, respectively. These values including, as I have said, gross additions and betterments are \$34,334.80 and \$32,532.80, respectively, less than the value used by the Commission. The value allowed by J. G. White & Company, including the gross additions and betterments above referred to and \$20,000.00 "Working Capital," is \$309,845.90. Without "Working Capital," which was not allowed by the Commission, the J. G. White present value is \$8,010.80 lower than the Commission's figure. The rates fixed by the Commission will, without considering the increased sales due to a lower price for the gas sold, show in excess of 8 per cent on the very liberal value fixed by the Commission and in excess of 7.7 per cent on the value claimed by the J. G. White & Company report.

It has been my desire in this case to recommend to the Commission a determination which would be just to these companies and to the consumers as well. There can be no question that losses which are incurred in making any changes in a utility's facilities which will in the end be of benefit to the consumers should be compensated for. I had this in mind at the hearing of this case, and in working over the testimony on valuation, operating expense and revenue with our Engineering Department it was my design to bring about an adjustment which would recognize any losses which this company had sustained. I believe that the order heretofore made is entirely fair in this regard, and I am of this opinion after a very careful review of the evidence for the second time.

So far as the San Joaquin Light and Power Corporation is concerned, I find no reason for a change in the order heretofore recommended, and I recommend that the applications for rehearing be denied and submit the following order:

**ORDER.**

Bakersfield Gas and Electric Company and San Joaquin Light and Power Corporation having applied to this Commission for a rehearing in the above entitled case, and having fully considered such applications and being fully apprised in the premises, and believing that no just grounds exist for a rehearing on this case,

*It is hereby ordered* that said applications for rehearing be and the same are hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of June, 1914.

## DECISION No. 1579.

IN THE MATTER OF THE APPLICATION OF THE SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF FIRST MORTGAGE BONDS OF THE FACE VALUE OF EIGHT HUNDRED SIXTY-ONE THOUSAND DOLLARS.

Application No. 1117.

*Decided June 11, 1914.*

Application of San Pedro, Los Angeles and Salt Lake Railroad Company for permission to issue bonds of the face value of \$861,000.00, bearing interest at 4 per cent, proceeds to be used to discharge and refund indebtedness incurred for additions and improvements to system, granted, provided that said bonds shall be sold so as to net applicant not less than 90.

A. S. Halsted, for Applicant.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for an order authorizing the issue of applicant's first mortgage 4 per cent fifty-year gold bonds of the face value of \$861,000.00.

A public hearing on this application was held in the city of Los Angeles on June 8, 1914.

Applicant desires to issue these bonds for the purpose of discharging and refunding obligations which it incurred for capital expenditures made subsequent to the expenditures referred to in this Commission's decision of June 21, 1913, on the application of this company for an order authorizing the issue of bonds of the face value of \$1,119,000.00. Reference is hereby made to said decision for a general statement of applicant's business and financial structure. (Vol. 2, Opinions and Orders of Railroad Commission of California, p. 1062.)

Applicant presented evidence showing that all the expenditures against which applicant now desires to issue its bonds were incurred subsequent to those on which this Commission has heretofore authorized the issue of bonds, and that these expenditures were in general as follows:

Expenditures for construction and improvement of trestles and bridges, the ballasting of tracks, the widening of cuts and fills, the construction of block and other signal systems, the reduction of grades and curvatures and the elevation and lowering of tracks -----	\$94,058 59
--	-------------

<i>Brought forward</i> .....	\$94,058 59
Expenditures for acquisition and betterment of real estate.....	272,100 85
Expenditures for construction, acquisition, improvement and enlargement of terminals, stations, shops, shop machinery and tools, depots, wharves, warehouses and other structures, the construction or acquisition or extension of spur tracks, side tracks, passing tracks and yard tracks, and the construction or acquisition, improvement and enlargement of other terminal or station facilities .....	95,407 01
Expenditures for purchase or other acquisition of or improvement and enlargement of water tanks, pipe lines, etc.....	6,850 14
Expenditures for purchase or other acquisition of additional engines and other rolling stock .....	255,314 61
Expenditures for construction or acquisition of other additions to and improvements and betterments of and upon any of the company's lines of railroad .....	137,305 25
<b>Total</b> .....	<b>\$861,036 45</b>

The foregoing statement is attached as Exhibit "E" to the petition herein, and the details of each account are shown in statements following Exhibit "E" and attached thereto. Applicant's witness testified that these expenditures are all properly chargeable to capital account under the classifications of the Interstate Commerce Commission and of this Commission. Of the foregoing expenditures, \$349,721.63 were incurred for additions and betterments in the State of California and \$255,314.61 for rolling stock, which moves over the entire system in the states of California, Nevada and Utah. The lien of these bonds will attach to all of applicant's operative property in California.

Under the provisions of applicant's mortgage to Guaranty Trust Company of New York, the trustee may issue bonds of the total face value of \$13,500,000.00, up to the full amount of expenditures for additions and betterments. In the present case, applicant proposes to issue its bonds at 90 per cent of face value to Oregon Short Line Railroad Company and W. A. Clark, who are the owners of its capital stock. These bonds bear interest at the rate of only 4 per cent per annum. In view of all the facts surrounding applicant's financial condition, they would probably sell for less than 90 if sold on the open market at the present time. For the year ending June 30, 1913, applicant reports a profit over all expenditures of \$340,182.36. The corporate deficit on June 30, 1913, was \$3,680,709.48. This deficit is largely the result of the very large expenditures incurred a few years ago in connection with washouts on applicant's line of railroad. Applicant has never declared a dividend and will use its net earnings to put additional security behind the bonds.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

San Pedro, Los Angeles and Salt Lake Railroad Company having applied for an order of the Railroad Commission authorizing said company to issue its first mortgage four per cent fifty-year gold bonds of the face value of \$861,000.00, for the purposes hereinafter indicated, and a public hearing having been held on said application, and the Railroad Commission finding that the purposes for which the proceeds of said bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered*, by the Railroad Commission of the State of California, that San Pedro, Los Angeles and Salt Lake Railroad Company be and the same is hereby authorized to issue its gold bonds of the face value of \$861,000.00, bearing interest at the rate of 4 per cent per annum, payable on the first day of January and July of each year, due on July 1, 1961, and secured by mortgage or deed of trust to Guaranty Trust Company of New York, on the following conditions and not otherwise, to wit:

1. San Pedro, Los Angeles and Salt Lake Railroad Company shall issue said bonds so as to net said company not less than 90 per cent of their face value, in cash, plus accrued interest.

2. San Pedro, Los Angeles and Salt Lake Railroad Company shall use the proceeds from the issue of said bonds only for the purpose of discharging and refunding obligations incurred in making the capital expenditures which are referred to in the opinion which precedes this order, and which are set forth in Exhibit "E" and the statements which follow the same, which exhibit and statements are attached to the petition herein and marked respectively Exhibit E, Statement E-1, Statement E-2, Statement E-3, Statement E-4, Statement E-5 and Statement E-6, and are hereby referred to and made a part of this order.

3. San Pedro, Los Angeles and Salt Lake Railroad Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the applicant shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

4. San Pedro, Los Angeles and Salt Lake Railroad Company shall file with the Railroad Commission certified copies of the documents

which it files with the trustee to secure the delivery of the bonds herein authorized to be issued.

5. This order shall apply only to such bonds as shall have been issued prior to June 1, 1915.

6. This order shall not become effective until applicant has paid the fee specified by section 57, as amended, of the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of June, 1914.

---

DECISION No. 1580.

IN THE MATTER OF THE APPLICATION OF THE LONG BEACH CONSOLIDATED GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF SIXTY THOUSAND DOLLARS AND PREFERRED STOCK OF THE PAR VALUE OF ONE HUNDRED AND FORTY THOUSAND DOLLARS.

---

Application No. 1094.

*Decided June 11, 1914.*

---

REPORT OF THE COMMISSION.

SUPPLEMENTAL ORDER.

Long Beach Consolidated Gas Company having filed its supplemental petition asking authority to use the proceeds of the sale of 1,060 shares of its preferred capital stock, which shares of capital stock said company was authorized to issue under this Commission's Decision No. 1540, decided May 23, 1914, for the purpose of paying promissory note amounting to \$40,000.00, held by Southern California Edison Company, and also open accounts payable amounting to \$44,188.01, due to Southern California Edison Company, and also the sum of \$611.99 to extinguish other accounts payable referred to in this Commission's said decision,

*It is hereby ordered* that said application be and the same is hereby granted, the authorization hereby given to be subject in all other respects to this Commission's said decision of May 23, 1914.

Dated at San Francisco, California, this 11th day of June, 1914.



## DECISION No. 1581.

IN THE MATTER OF THE RATES CHARGED AND SERVICE RENDERED BY H. R. ATWOOD, ALSO DOING BUSINESS UNDER THE NAME OF ENCANTO MUTUAL WATER COMPANY, FOR WATER SUPPLIED TO HIS CUSTOMERS AT ENCANTO, SAN DIEGO COUNTY, CALIFORNIA.

---

Case No. 547.

*Decided June 11, 1914.*

---

Supplemental order establishing rules and regulations governing the operation of respondent's water system serving the town of Encanto.

## REPORT OF THE COMMISSION.

## SECOND SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

In the opinion heretofore rendered on March 28, 1914, in the above entitled proceeding the Commission stated that it would thereafter issue a supplemental opinion and order establishing rules and regulations to be adopted by Atwood in the operation of the water system at Encanto. A draft of such rules and regulations was prepared by this Commission's hydraulic department and submitted to all the parties for their suggestions. This Commission has received suggestions from Atwood and from J. F. Carey for the consumers. Careful consideration has been given to these suggestions, and the Commission has now concluded to establish the rules and regulations which will be contained in the order herein, which rules and regulations the Commission believes to be fair and reasonable as applied to this particular water utility.

I submit herewith the following form of second supplemental order:

## SECOND SUPPLEMENTAL ORDER.

*It is hereby ordered* that the following rules and regulations be and the same are hereby established as fair and reasonable rules and regulations for the water utility operated by H. R. Atwood, also doing business under the name of Encanto Mutual Water Company, at Encanto, San Diego County, California:

## RULES AND REGULATIONS.

## Rule No. 1.

Before water is supplied to any premises, written application therefor, on blanks furnished by the company, must be made to the company by the person desiring water.

## Rule No. 2.

The company will, as soon after the first of each month as practicable, and not later than the fifth of the month, mail or deliver to each consumer a statement of his bill for the preceding month, at the address

given to the company by said consumer. The company, at its option, reserves the right to send a collector who, if unable to find the consumer, will leave a statement. Individual meters will be read as nearly as possible on the same calendar day of each month.

**Rule No. 3.**

All rates shall become due and payable at the office of the company on the fifth day of the month succeeding the month in which water is furnished. When rates are not paid by the fifteenth, a charge of 15 cents will be added to the rate to pay for the expense of collection. After water rates have become delinquent under this rule, and the consumer has refused or neglected to pay the same, the company may, upon five days' written notice being given, discontinue the supply unless before the expiration of the five days the consumer makes a deposit to secure the payment of rates, this deposit to be in an amount 10 per cent in excess of the consumer's previous average monthly bill, averaged over four months.

**Rule No. 4.**

When an application for water is made, as provided in Rule No. 1, requiring the installation of a service pipe and meter, a payment in advance will be required of the applicant and credited monthly on the books of the company at the rate of one fifteenth of the amount deposited to apply on water bills until all has been credited. Such deposits and credits shall be as follows:

Materials	Deposit	Credit per month
½" pipe and ½" meter.....	None	None
1" pipe and 1" meter.....	\$18 00	\$1 20
1½" pipe and 1½" meter.....	36 00	2 40
2" pipe and 1½" meter.....	51 00	3 40

Other installations will be provided for by special arrangement.

**Rule No. 5.**

When a person desires that an extension be made, he shall make a written application to the company on blanks to be furnished by the company. For each actual dwelling place demanding service on a proposed extension the company will, at its own expense, provide 100 lineal feet of such extension. Until further notice the company will ask in advance the following prices per foot of extension beyond the 100 feet: 2-inch, 18 cents; 2½-inch, 25 cents; 3-inch, 30 cents; 4-inch, 40 cents. Should the company desire, looking to the probable increase of business or the most practicable construction for the general system, to lay a main larger than necessary for the immediate demand, the difference in cost will be borne outright by the company. When one tenth of the gross receipts from water sales on the extension, averaged over four months, is sufficient to pay one half per cent per month interest on the cost of the extension the deposit will be refunded. This

rule shall not be construed to relieve the former owners of this tract of their responsibility, if any, in the installation of water pipe extensions.

**Rule No. 6.**

No allowance shall be made in water rates by reason of the non-occupation of the premises where water is supplied unless the company has been notified in writing to shut off or disconnect the water from such premises.

**Rule No. 7.**

Upon deposit of \$1.00, by any consumer, the company will test his meter. The consumer or some competent person appointed by him may be present at such test, if he desires. If upon such examination and test the meter is found to register 3 per cent more than the amount of water actually passing through it, a correct meter will be substituted for it and the fee of \$1.00 will be repaid to the person making the application, and the water bill for the current period adjusted by an amount in proportion to the error discovered. If the meter shall be found accurate, or to register less than the actual amount of water passing through it, the fee of \$1.00 shall be retained by the company and the water bill paid as rendered.

**Rule No. 8.**

No consumer shall provide water regularly to any person, company or corporation other than the occupant or occupants of the premises of said consumer, except where such parties can not reasonably be connected with the system of this company, nor shall any consumer knowingly permit leaks, waste of water or conditions to exist which may be detrimental to a meter or service connection.

**Rule No. 9.**

The company shall have the right in an emergency to turn off the water from the pipes of the system without notice. The company will make all possible effort to notify its customers in advance when it is necessary to turn off water.

**Rule No. 10.**

The company will not give any person permission to use water from private taps inside of property lines for any street improvement, building or other purpose. Should any contractor or builder desire to use water for any street improvement or building purposes, he may obtain, upon application therefor, a service connection for such use. The company will charge for such connection for temporary use, the net cost thereof.

**Rule No. 11.**

Where two or more separate and distinct consumers are served through a single service connection on premises in the same ownership, the owner will be held responsible to the company for all water used.

The company may, at its option, install separate services and then collect a separate rate from each consumer.

**Rule No. 12.**

All meters are the property of the water company, and the company will make such repairs as come from ordinary wear and tear in service.

**Rule No. 13.**

Where a meter fails to register during any month a proper meter will be installed and a charge will be made upon an estimate based on an average of the preceding four months, or where a meter has not been set for four months then during such period as such meter shall have registered.

**Rule No. 14.**

Consumers should install a shut-off inside the property line at a location accessible in case of emergency.

**Rule No. 15.**

No consumer or any other person shall be allowed to turn on water after the same shall have been turned off, nor at any other time interfere with any meter, valve or other accessory to the water system, except on written consent of the water company.

**Rule No. 16.**

For the violation of any of the aforesaid rules, the company reserves the right to turn off the water upon five days' written notice, and to collect \$1.00 for turning on the water after the matter has been adjusted.

The foregoing rules and regulations shall be effective on and after receipt by Atwood of a certified copy of this supplemental opinion and order.

The foregoing second supplemental opinion and order are hereby approved and ordered filed as the second supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of June, 1914.

## DECISION No. 1582.

IN THE MATTER OF THE APPLICATION OF FOWLER GAS  
COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF  
STOCKS AND BONDS.

---

Application No. 1157.*Decided June 11, 1914.*

---

Application of the Fowler Gas Company for permission to issue bonds of the face value of \$15,000.00, proceeds to be used partly to refund outstanding notes and the balance for additions and betterments to system, granted. Applicant also authorized to issue stock of the par value of \$8,000.00 in lieu of stock heretofore issued without the approval of the Commission.

*Gallaher, Aten & Devaul, for Applicant.*

## REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

Fowler Gas Company is engaged in the manufacture and distribution of artificial gas in the town of Fowler, Fresno County, California. At present there are about 238 residences and 92 business houses in the town of Fowler. Applicant is the only public utility distributing gas in this community.

The present application as originally filed was for authority to issue 6 per cent ten-year bonds of the face value of \$15,000.00. Applicant believes that it can issue these bonds at 90, thus netting to applicant the sum of \$13,500.00. Applicant desires to use \$11,000.00 of this amount in paying outstanding notes and the remaining \$2,500.00 in meters, service connections and extensions to the plant as occasion therefor arises.

It developed at the hearing that Fowler Gas Company had issued its capital stock of the par value of \$30,000.00 without the consent of this Commission. In exchange for this stock applicant had received \$4,000.00 in cash and certain gas plant equipment. Inasmuch as the consent of this Commission was never obtained to the issue of this stock, the stock is void, and is in violation of the provisions of the Public Utilities Act. I am convinced, however, that this violation was not intentional. Applicant was, therefore, allowed at the hearing to amend its application to include a request for authority to issue its capital stock of the par value of \$8,000.00. As before stated, applicant has received \$4,000.00 in cash and also certain gas plant equipment, which I believe may be reasonably valued at \$4,000.00. If applicant cancels the \$30,000.00 par value of stock outstanding and issues \$8,000.00 par value of stock in exchange for the cash and gas plant equipment which has been received, the stock will be issued at its par value and applicant

will be in good financial condition. This arrangement, moreover, is entirely feasible, as all the outstanding stock is held by only six men. It will be an easy matter, therefore, to cancel the outstanding stock and issue \$8,000.00 par value of stock in lieu thereof.

I recommend that the application as amended be granted, and submit herewith the following form of order:

**ORDER.**

Fowler Gas Company having applied to this Commission for permission to issue its capital stock of the par value of \$8,000.00 and its 6 per cent ten-year bonds of the face value of \$15,000.00 and a public hearing having been held thereon, and the Commission being of the opinion that the purposes to which the proceeds derived from these securities are to be used are not in whole or in part reasonably chargeable to operating expense or to income,

*It is hereby ordered* that Fowler Gas Company be and it hereby is authorized to issue its capital stock of the par value of \$8,000.00, upon the following conditions and not otherwise, to wit:

1. Said stock shall be issued to the following individuals upon the cancellation of all the present outstanding stock of applicant:

C. A. Patton.....	1,000 shares
W. S. Ricketts.....	750 shares
R. J. Mitchell.....	500 shares
E. Gower .....	500 shares
J. R. Lovely.....	4,500 shares
J. W. Lovely.....	750 shares
<hr/>	
Total .....	8,000 shares

2. In no case shall this stock be issued unless the par value thereof has been paid to applicant in cash, except that \$4,000.00 par value of the stock to be issued to J. R. Lovely shall be issued in exchange for the gas plant equipment specified in "Exhibit B" attached to the application in this proceeding;

*It is further ordered* that applicant be and it hereby is authorized to issue its 6 per cent ten-year bonds of the par value of \$15,000.00 upon the following conditions, and not otherwise:

1. The proceeds derived from the sale of these bonds shall be used for the following purposes only:

(a) To pay an outstanding note of applicant for the sum of \$10,000.00 in favor of O. J. Woodward, made on November 17, 1913, and due on July 17, 1914.

(b) To pay on demand an outstanding note of applicant for the sum of \$500.00 in favor of J. W. Lovely, dated March 17, 1914.

(c) To pay a ninety-day outstanding note of applicant for the sum of \$500.00 in favor of the Fowler National Bank, dated April 22, 1914.

(d) The sum of \$2,500.00 may be used by applicant in purchasing the material for, and installing service connections and extensions to applicant's plant as occasion therefor may arise.

2. Fowler Gas Company shall keep full, true, separate, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission, stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

3. This order shall become effective only upon the payment of the fee prescribed in section 57 of the Public Utilities Act.

4. The authority hereby given to issue such stock and bonds shall apply only to stock and bonds to be issued by Fowler Gas Company on or before December 31, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of June, 1914.

DECISION No. 1583.

J. J. GILL

vs.

SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS.

Case No. 571.

*Decided June 11, 1914.*

Complainant contends that the present five-cent fare limit of defendant at Davis street, in the city of San Leandro, is discriminatory, and should be extended to the easterly boundary of said city.

*Held.* That if the present limit is discriminatory as against such residents as live directly east, to extend the limit as proposed would likewise discriminate against the residents immediately adjoining the proposed extension. Complaint dismissed.

Walter J. Burpee, for Complainant.

George W. Mordecai, Jr., for Defendant.

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

The complainant in this case, the president of the board of trustees of the city of San Leandro, in Alameda County, asks the Commission to

establish a fare of five cents over the lines of the San Francisco-Oakland Terminal Railways between any point in the city of Oakland and any point in the city of San Leandro, with present transfer privileges within the city of Oakland, and thereby to modify its order of March 24, 1913, in Application No. 324, and in Cases Nos. 347, 348 and 352, requiring the San Francisco-Oakland Terminal Railways to establish a passenger fare of five cents between points within the city of Oakland and Davis street in San Leandro, with the present transfer privileges at points within the city of Oakland.

The complainant contends that the fare established by order of the Commission in the above cases discriminates against those residents of San Leandro residing east of Davis street, who, it is alleged, constitute four fifths of the entire population of that city, in that such people are compelled to pay five cents more for transportation to or from Oakland via the line of the defendant than the residents of San Leandro living west of Davis street.

It is also urged that the defendant is required by law to run all regular cars operating between Oakland and San Leandro to the easterly limit of the latter city; that said cars are at present so operating, regardless of the small volume of the traffic which is the result of the additional fare between Davis street and the easterly limit of San Leandro on traffic to or from Oakland, as most of such passengers walk to and from Davis street and board or leave the cars at that point rather than pay the additional five-cent fare, and, therefore, the extension of the eastern limit of the Oakland-San Leandro five-cent fare zone to the easterly line of the city of San Leandro would not make necessary the running of any additional cars, the employment of additional crews or any change in the time schedules and would entail no inconvenience or loss of revenue to the carrier.

The defendant denies all of the material allegations of the complaint, and by cross complaint asks the Commission to modify its order heretofore issued in Application No. 324 and in Cases Nos. 347, 348 and 352, so that the five-cent fare will apply only between points within the municipality of Oakland. As the interested parties herein are not the same as those in Application No. 324 and in Cases Nos. 347, 348 and 352, and as the latter were not served with the answer and cross-complaint and therefore did not have due notice of the application of the defendant herein for a modification of the Commission's former order, the cross-complaint of the defendant will not be considered in this proceeding and should be dismissed. If the defendant desires to apply to this Commission for a modification of the order heretofore made by it, the proper procedure to bring the matter before the Commission is by an original application under section 63 of the Public Utilities Act.



It appears from the record that Davis street intersects the city of San Leandro about midway between its eastern and western limits, being about 4,500 feet from the easterly and about 4,400 feet from the westerly line, and while the evidence seems to conclusively indicate that the great majority of people living in San Leandro reside east of Davis street, this is not a condition which has arisen since the Commission considered the matter of defendant's fares between Oakland and San Leandro and fixed Davis street as the limit of the five-cent fare to and from Oakland. There was also some evidence introduced to show that the majority of people traveling from Oakland to San Leandro leave the cars at Davis street and when traveling from San Leandro to Oakland boarded the cars at Davis street and in doing so were put to the necessity of walking an average distance of four or five blocks, and, while it is contended that this is a result of the fare adjustment the evidence does not justify the conclusion that this condition would not continue to a great extent were the five-cent fare to and from Oakland made to apply from and to the easterly limits of San Leandro. Because the residents of San Leandro residing west of Davis street can travel to or from Oakland for a fare of five cents while those residing east of Davis street must pay ten cents, does not indicate that an undue preference is given the former as against the latter. If such a condition conclusively established discrimination and the five-cent fare between Oakland and San Leandro was made to apply to and from the easterly limits of San Leandro, as the complainant asks, then the people living east thereof would be discriminated against in the same manner as those residents of San Leandro residing east of Davis street now claim to be discriminated against.

While it is true that the resolution of January 23, 1907, of the board of trustees of San Leandro, authorizing the city attorney to amend an existing franchise so as to grant to the defendant herein authority to construct a double track on Hayward avenue in the city of San Leandro, was conditioned in part upon the carrier's running all regular cars to the easterly limits of the city of San Leandro, which it does at the present time, such a condition does not appear in the franchise granted to the carrier for this purpose, and it could, to meet the requirements of the public or for its own convenience, operate all its cars through to Hayward and thereby remove the main cause here alleged as a reason why the fares should be extended to the easterly limit of San Leandro. Again, one half only of the cars operating through San Leandro turn back at the easterly boundary line of that city and the balance operate through to Hayward and, if the five-cent fare were extended to the easterly limit of San Leandro and made to apply only on such cars as are turned back at that point, the arrangement would not only be confusing but perhaps discriminatory.

It is my opinion that the present manner of the operation of the cars is not a reason why the five-cent fare to and from Oakland should be extended to the easterly limit of San Leandro.

It is my opinion that the complainant in this case has not sustained the burden placed upon him by the Public Utilities Act of showing that the present fare between Oakland and points in the city of San Leandro east of Davis street is unjust, unreasonable, or discriminatory, or has shown sufficient reason why the Commission's order heretofore made should be modified; and I am, therefore, of the opinion that the complaint should be dismissed, and I recommend that it be so ordered.

I submit herewith the following form of order:

**ORDER.**

J. J. Gill having filed complaint with this Commission against the passenger fare of the San Francisco-Oakland Terminal Railways applying between Oakland and San Leandro east of Davis street, and a hearing having been held and being fully apprised in the premises, and basing its order on the findings in the preceding opinion,

*It is hereby ordered* by the Railroad Commission of the State of California that the complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 11th day of June, 1914.

Decisions Nos. 1584 and 1585, grade crossings: not printed. See end of volume.

**DECISION No. 1586.**

**IN THE MATTER OF THE APPLICATION OF CENTRAL CALIFORNIA GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF FIFTEEN THOUSAND DOLLARS AND COMMON STOCK OF THE PAR VALUE OF TEN THOUSAND DOLLARS.**

---

Application No. 1168.

*Decided June 17, 1914.*

---

Application of the Central California Gas Company for authorization to issue bonds of the face value of \$15,000.00 and stock of the par value of \$10,000.00, bonds to be sold at not less than 90 and stock at not less than 80, proceeds to be used for capital expenditures heretofore and to be incurred, granted.

*Lester G. Burnett*, for Applicant.

## REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for an order authorizing the issue of bonds of the face value of \$15,000.00 and of common capital stock of the par value of \$10,000.00.

Applicant expects to sell its bonds at 90 per cent of their face value, with accrued interest, and the stock at 80 per cent of its par value, and to use the proceeds, amounting to \$21,500,000, for the following purposes:

1. To refund obligations incurred for capital expenditures made between January 1, 1914, and May 31, 1914, and not heretofore used as foundation for an issue of securities, as follows:

Capital expenditures during January, 1914.....	\$1,421 30
Capital expenditures during February, 1914.....	1,243 70
Capital expenditures during March, 1914.....	626 60
Capital expenditures during April, 1914.....	1,761 56
Capital expenditures during May, 1914.....	3,192 42
Total .....	<u>\$8,245 58</u>

2. For the acquisition of property and the construction, completion, extension or improvement of facilities, as follows:

Purifier at Visalia.....	\$3,876 00
Boiler (100 horsepower) at Visalia.....	2,905 00
Compressor at Visalia.....	3,235 00
Blower at Visalia.....	1,386 00
Two hundred additional service connections with part of necessary meters.....	1,737 40
Total .....	<u>\$13,229 40</u>

The details of the expenditures first hereinbefore referred to will be found in Exhibit No. 1, introduced at the hearing, and the details of the expenditures hereafter to be incurred and shown in the second list hereinbefore referred to are set forth in Exhibit A, attached to the petition herein. The item "No. 5 gas exhauster, \$500.00," in Exhibit A was corrected at the hearing to read "\$800.00."

The evidence shows that the expenditures which applicant contemplates making at Visalia are necessary in the development of its business and are caused by the large growth, present and anticipated, in that business. Applicant expects to take on 200 new customers within the next three months.

Under the terms of its trust deed or mortgage, applicant can issue bonds only up to 75 per cent of the actual and reasonable cost of permanent additions and then only when its net earnings have been for twelve months at least twice the interest on all bonds outstanding and on the bonds proposed to be issued. Applicant now has outstanding bonds of the face value of \$275,000.00. If this application is granted

and applicant issues the bonds authorized, it will have outstanding bonds of the face value of \$290,000.00. The annual interest thereon will be \$17,400.00, which is less than half the net earnings for the twelve months ending May 31, 1914, amounting to \$35,541.26, as shown by Exhibit B attached to the petition herein. It is clear that the face value of the bonds now to be issued is somewhat less than 75 per cent of the actual and reasonable cost of the permanent additions herein referred to, which total \$21,274.98.

The financial affairs of this corporation have been fully investigated by this Commission in connection with former applications, and I deem it unnecessary to repeat what has been said in the Commission's opinions and orders thereon.

I recommend that the application be granted and submit herewith the following form of order:

**ORDER.**

Central California Gas Company having applied to the Railroad Commission for an order authorizing the issue by said company of bonds and common stock in the amounts and for the purposes herein-after specified, and a public hearing having been held on said application, and the Railroad Commission finding that the purposes for which the proceeds of said bonds and stock are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Central California Gas Company be and the same is hereby authorized to issue its bonds of the face value of \$15,000.00, numbered 276 to 290, inclusive, bearing interest at the rate of 6 per cent per annum, payable semiannually, and secured by a mortgage or deed of trust heretofore and on July 1, 1912, made and executed by Central California Gas Company to Los Angeles Trust and Savings Bank, as trustee, and its common capital stock of the par value of \$10,000.00, on the following conditions and not otherwise, to wit:

1. Central California Gas Company shall sell the bonds hereby authorized to be issued so as to net not less than 90 per cent of their face value in cash, plus accrued interest, and the common capital stock so as to net not less than 80 per cent of its par value in cash.

2. Central California Gas Company shall use the proceeds from the sale of said bonds and stock, in so far as necessary, only for the following purposes:

(a) To refund obligations incurred for capital expenditures made between January 1, 1914, and May 31, 1914, and not heretofore used as foundation for an issue of securities, as shown in Exhibit No. 1, introduced at the hearing, proceeds not in excess of the sum of \$8,245.58.

(b) For the acquisition of property and the construction, completion, extension and improvement of facilities for the purposes specified in the

opinion which precedes this order and in Exhibit A attached to the petition herein, proceeds not in excess of the sum of \$13,229.40.

3. Central California Gas Company shall keep separate, true, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of bonds and stock hereby authorized to be issued; and on or before the twenty-fifth day of each month applicant shall make a verified report to the Railroad Commission, stating the sale or sales of said bonds and stock during the previous month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

4. The authority hereby given to issue bonds and stock shall apply only to bonds and stock issued prior to June 1, 1915.

5. This order shall not become effective in so far as it applies to bonds until Central California Gas Company has paid the fee specified in section 57, as amended, of the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of June, 1914.

---

DECISION No. 1587.

J. D. WARREN ET AL.

*vs.*

MURPHY WATER, ICE AND LIGHT COMPANY.

---

Case No. 579.

*Decided June 17, 1914.*

Complainant alleges that the service of respondent is entirely inadequate, that its charge for tapping mains is unjust and unreasonable, and that respondent refused to extend its main to serve a number of prospective consumers.

*Held.* Respondent directed to lay mains of adequate size along certain streets and to install service connections at its own expense for residents along such mains requesting such service. Respondent also directed to extend its mains so as to serve any additional consumers not adjoining its system, who may desire service, and are willing to deposit a sum sufficient to cover cost of extension, such deposit to be returned periodically when consumption of water shall guarantee a reasonable return upon the cost of such extension.

*J. W. Curtis*, of Curtis & McNabb, for Complainants.

*S. M. Haskins*, of Gibson, Dunn & Crutcher, for Defendant.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This complaint was filed with the Commission on April 3, 1914, and is the outcome of a number of controversies between individual water users and the management of the utility furnishing water for domestic use in the town of Needles, California. The Murphy Water, Ice and Light Company, defendant in this case, is a public utility engaged in the furnishing of water in wholesale quantities to the Atchison, Topeka and Santa Fe Railway Company and for domestic use to the inhabitants of the said town of Needles. For some time previous to the filing of this formal complaint these controversies had been under consideration informally by this Commission, but only temporary relief from the conditions complained of was obtained from such informal action.

J. D. Warren and the seventeen other complainants associated with him in this matter are all residents of the Needles Boulevard tract addition to the town of Needles and are at present furnished, or desire to be furnished, with water by the defendant company.

This complaint alleges inadequate service to those complainants now reached by the mains of this company; that several of the present complainants were obliged to lay long individual service pipes to their homes across private property; that fifteen applicants for water service residing in the Needles Boulevard tract have been refused service by defendant company; that the water reaching a part of said Boulevard tract now served is transmitted through more than a mile of pipe in a roundabout way from the town of Needles, while a pipe line approximately 800 feet long direct from the pumping station or principal main of the company would render adequate service; that a charge for "tapping the main" in installing each service is unreasonable, and that the present main supplying a portion of this tract is largely of boiler flues and in unserviceable condition.

Complainants now ask this Commission to order the defendant company to furnish an adequate supply of water to the complainants and to prospective consumers in the Needles Boulevard tract; that the defendant be ordered to furnish and lay, at its own expense, water mains in certain specified streets in said tract of such size as to furnish an adequate supply of water to all who wish service; that defendant be ordered to make a water main connection direct at its pumping plant, or on the main that is laid south of its pumping plant, and bring the service direct to said tract; and that defendant be ordered to make service taps, bring water to the property line, and furnish water meters free of charge to water consumers.

A public hearing was held in the town of Needles on May 28, 1914. At this hearing considerable evidence was presented by each of the contesting parties, and all correspondence and exhibits acquired by the

Commission in connection with the various informal complaints hereinbefore mentioned were, by stipulation, admitted as evidence in this case.

I will now consider the complainants' allegations in the following order:

Inadequate service to those reached by mains of the company.

A number of the present consumers testified that during the summer months at certain times of the day little or no water supply is available on this tract. While one witness testified that he personally knew of no lack of water supply at any time, it developed that this witness visits his residence only late in the evening and did not know definitely of conditions at other times, and that also his residence is so situated as to be one of the first to receive service, while the supply of others at the same time may have been depleted.

The witnesses of the company made no particular effort to refute the testimony of these consumers, but claimed that this company should not be required to improve service conditions, as it had made no definite promise to provide any sort of service, and is desirous of discontinuing its public utility duties. The company claims that these duties were assumed purely as a charitable act of assistance to persons who chanced to need water service during the growth of the town of Needles, and that in making the single extension of the company's own mains to the southern part of this tract they should not be considered to have assumed any definite obligation.

A pipe line was extended by this company north across the main line tracks of the Atchison, Topeka and Santa Fe Railway Company along "K" street and west along Spruce street to between "L" and "M" streets. To this pipe line twenty-seven (27) meters and connections are attached, through which twenty-eight (28) individual consumers now receive water and make payment monthly to the company.

Investigation by the engineers of the Commission of the water supplied directly to these twenty-eight individual consumers showed that, due to the large number of consumers on one small pipe line and to the distance which water was forced to travel, the pressure was very low and that at times entirely failed when any large number were using it.

The claim of the consumers that service is inadequate during certain periods was well set forth, and being practically uncontroverted by the defendant, I consider this point proved, and shall recommend that the company take steps to remedy the present inadequate condition of its system.

Several present consumers were obliged to lay long individual service pipes to their homes across private property.

The apparent reason of the company for refusing to make extension of service to a number of present consumers, particularly those residing

on Walnut street, one block north of its present main, has already been stated to be its desire to force these consumers to pay to the company the entire cost of extension without a possibility of return for this investment. Any service to a number of these consumers was consistently denied before informal intervention by this Commission.

There are seven consumers on Walnut street who could be reached by an extension of a two-inch main from the present existing pipes of this company, at a cost of not over \$150.00. One of these users alone during April consumed 20,000 cubic feet of water, and the payment by each of these consumers of no more than the minimum amount monthly would make this extension a particularly good business investment on the part of any utility.

It is clearly unreasonable that a consumer be forced to lay pipe lines across private property, but that rather some equitable arrangement be made whereby, if it is at all proper that he receive service from the utility, this utility should install the extension and connection at its own expense if there be assurance of compensatory returns, and if such returns are not assured, that the consumer should hold the company safe by placing a deposit, or in some other way insuring the company against loss.

Fifteen applicants have been refused service, and now subsist upon a limited domestic supply at great inconvenience.

The refusal of the company to extend service to any one of the fifteen alleged prospective patrons is granted to be in line with its general refusal of extension of service in this tract. The attorney for the defendant apparently established his contention that these persons were aware when they built their residences that there was no pipe line laid to their property, and they did not receive a personal promise from any agent or official of the company that water service would be provided. This, however, does not absolve the defendant from its obligations as a public utility corporation. Such service was provided for at least a part of this tract. Whether or not farther extension would be compensatory would depend upon a determination of the amounts of water likely to be consumed and the payment therefor to be received by the company, and the cost of extension; and this alone should be the proper and reasonable measure of determination of the extension to be made. A detailed method for determination of what extensions should and what should not be made by a water company such as this will be considered hereinafter.

We find here certain persons with established residences making apparently bona fide application for water service to the only agency in the field in any way capable of providing adequate domestic water service within the town of Needles. The only other source of domestic water is the private wells which some of these people have sunk.



Mr. T. J. Murphy, on behalf of the company, testified that he did not consider the present available supply sufficient to extend service to these complainants and other future consumers who might, from time to time, demand service and that should these people be provided with water, it would set a precedent and might in the future require service beyond the capacity of his company's plant and wells. This company has provided no storage of any sort and during the portion of the day of greatest demand, the capacity of the pumps lifting water from wells directly into the mains is the limit of ability to serve. It is known that two complete pumping units are installed in the pumping plant of this company and that on the day of the hearing—the most humid of this season—only one pump was in operation. There is no doubt of the ability of the company, by sinking other wells, to obtain an almost unlimited supply of water of the same character as that now produced, and, with the installation of an equalizing tank or reservoir, the full capacity of the plant could be utilized. There appears no probability that the demand upon this company will increase at such a rate for a long time to come as to require more than an ordinary tank or reservoir such as could be constructed at reasonable cost on the bluffs in the southwest portion of the town.

By the testimony of Mr. Murphy, about 20,000,000 gallons per month is the average output of his system, of which about 3,000,000 gallons are delivered to the five hundred consumers in the town of Needles. An increase to double the pipe line of the town would not then require more than a 15 per cent increase in the output of the plant, and the addition at the present time of fifteen consumers would be an inappreciable increase over the present demand. It is hardly reasonable to anticipate a rapid increase in growth in the town of Needles, depending, as it does almost exclusively, upon the shops and division quarters of the Atchison, Topeka and Santa Fe Railway Company.

The defendant, in its contention that it should not be required to continue its utility service, still desires to provide water to the Atchison, Topeka and Santa Fe Railway and the Harvey House—its principal present consumers. It appears to me that it should be considered as fully obligated, and should find it as reasonable to provide water service for the employees of these concerns and other inhabitants of the town of Needles, upon whom these companies depend for their working force, as for the use of these concerns directly. It is no more than fair, not only to the utility company, but to all other consumers of this utility who would have to pay a proportional part of an increased rate, should expensive and non-compensatory extensions be made by the utility company, that in some cases the applicant for service should guarantee the company against loss. This guarantee may most readily be made by the deposit with the company of a sum sufficient to cover

the cost of making extensions, this deposit to be returned when the use of water on the extension has reached such a volume that the water sales bear their proper part of the charges due to the company. The form of guarantee may be provided in any of a number of ways, and the measure of compensatory returns must be fixed largely by a full understanding of the local conditions directly affecting any particular instance.

I shall recommend that certain public extensions be made at once, at the expense of the company, into this territory where these extensions will apparently immediately develop sufficient business to warrant the company in making the necessary investment. Farther extensions that have been requested from this company do not appear capable to develop sufficient water use to warrant the company in making extension without some form of guarantee by the consumer such as has been described hereinbefore.

Water reaching the part of this tract now served is transmitted through more than a mile of pipe, in a roundabout way from the town of Needles, while a pipe line of only 800 feet in length directly from the pumping station or principal main of the company would render adequate service.

The roundabout route followed by the supply for this tract would not be of moment, excepting that it has been shown that the service obtained at the tract is inadequate. To provide adequate pressure and the full required amount of water would necessitate that the pumps operate against a considerably greater head than would be necessary if this part of the town were reached more directly through the mains of the company. There seems to be no doubt that the general capacity of the system will be increased by the installation of a pipe line somewhat in accordance with the request of the consumers. There is no question whatever that service conditions at this point will be very decidedly improved if the company be requested at this time to furnish a minimum pressure at all points on its system. To provide this pressure at the end of the present roundabout system of pipes would undoubtedly require a decidedly higher pressure in the main pipe line of the company than if the distance be decreased to one fifth of that through which the company at present delivers water.

A charge for "tapping the main" in installing each service is unreasonable.

Such a charge as this has been under consideration by the Commission in a large number of cases wherein various terms have been used to designate such a charge, and it has been consistently decided that any such charge is improper. The rules of a number of companies have been approved by this Commission, and in the rules of some companies provision has been made that in such cases consumers may be required

to deposit with the company some amount as service charge to be returned in rates. The Commission has, however, never approved an outright payment to the company that it could retain as a part of its income. I would recommend that this charge be discontinued.

Present main supplying a portion of this tract is largely of boiler flues and in unserviceable condition.

The condition of the pipe lines of the particular line of this company delivering water to the complainants was not made a vital issue. The company will, of course, comply with its obligation to maintain its property in a fit condition to render service and can not afford to pump water and let it waste through a leaky pipe system. If it desires to reduce the supply to these complainants, the company would be expected to choose some method not so expensive to itself. Any difficulty arising from the condition of this pipe line will be obviated by the installation of a line directly to the tract, such as requested by these complainants.

Incidental to the particular matters brought up by the complaint, mention was made in the complaint and denied in the answer of a personal contention between the principal complainant, J. D. Warren, and the defendant in this case. Such matters as this can be allowed to have no influence in a decision upon the proper conduct of the affairs of this utility in its relations to its consumers, and no testimony upon this point was permitted during the hearing.

The matter of the rates of this company was not an issue in this case, and a request made by the company immediately before the hearing that the hearing upon this matter be delayed and conducted in conjunction with a consideration of an application for the establishment of rates, later to be filed by the company, was denied.

During the course of the hearing a certain detailed plan of installation of pipe lines by this company was suggested, and it was agreed that the Commission should furnish the company with a statement of this plan for its consideration, and further, that the complainant, J. D. Warren, should provide the company with a proper deed granting the right to construct and maintain a pipe line across property intervening between the main transmission line of the company and the Boulevard tract. The defendant company has agreed to the proposal of the Commission, and the construction of pipe line extensions to be required of this company, in conformity with this agreement, will be embodied in the order herein.

I submit herewith the following form of order:

**ORDER.**

J. D. Warren and others having complained against Murphy Water, Ice and Light Company, alleging that certain practices of said company are improper and unreasonable, as more fully set forth in the opinion

herein, and a public hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that complainants in this case are within the territory to which defendant company has dedicated the use of its water; that the service rendered the present consumers of the defendant company in the Boulevard tract in the town of Needles is inadequate; that the requirement that certain of these consumers lay, at their own expense, long service pipes, is unreasonable; that certain of the applicants for service who have been denied extension of mains and service connections by this company, should receive service at the expense of the company, and that others should be allowed to obtain service upon making substantial guarantee that the rendering of such service shall not cause excessive separate expense for their benefit; that the present method of furnishing water from the pumping plant of the company to the Boulevard tract and vicinity is unreasonable and should be changed, thereby benefiting both the company and these consumers; that the charge assessed by the company for connecting service pipes with the company's mains is improper and should be discontinued; and, basing its order upon the foregoing findings of fact, *it is hereby ordered*

1. That Murphy Water, Ice and Light Company, immediately upon receiving a proper deed granting the right to construct, maintain and operate a water pipe along the line of Walnut street produced easterly from "K" street to the 8-inch main of the water company from J. D. Warren, shall construct a 6-inch main along this right of way and make connection with the 8-inch main aforesaid.

2. That the company shall lay a 4-inch pipe along "K" street from Spruce street to Walnut street and a 2-inch pipe along "K" street from Walnut street to Race street; a 4-inch pipe line along Walnut street from "K" street to "L" street, and a 2-inch pipe line for approximately 300 feet from "L" street along Walnut street.

3. That the above mentioned pipe line extensions be connected with the 6-inch main first described and with the mains at present in the tract.

4. All existing dwellings along the line of these extensions shall be provided, upon application, at the expense of the company, with connection and service pipe to the curb line or property line.

5. That applicants for water service not reached by the pipe line extensions hereinbefore provided to be installed at the expense of the company shall be entitled to receive service upon depositing with the company a sum sufficient to pay the cost of making extensions to their property, this sum to be returned to such applicant or applicants when the gross receipts from water sales on such extensions shall have reached a sufficient amount so that one tenth the average returns for four months is equal to 6 per cent per annum upon the amount deposited.

6. That the company shall make all connections with its mains free of charge except where it may be provided that the applicant place a deposit with it subject to later refund.

7. That the extensions and connections hereinbefore ordered shall be placed in full operation within sixty (60) days from the date upon which the right of way is provided for the 6-inch main hereinbefore described.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of June, 1914.

---

DECISION No. 1588.

IN THE MATTER OF THE APPLICATION OF OJAI POWER COMPANY FOR AUTHORITY TO ISSUE CAPITAL STOCK OF THE PAR VALUE OF NINETEEN THOUSAND TWO HUNDRED DOLLARS.

---

Application No. 1155.

*Decided June 17, 1914.*

---

Applicant authorized to issue its capital stock of the par value of \$19,200.00, to be sold at par, proceeds to be used in purchasing and installing an additional unit to its electric system, and for extensions and betterments to plant.

*Merle J. Rogers, for Applicant.*

REPORT OF THE COMMISSION.

GORDON, *Commissioner.*

Ojai Power Company is engaged in supplying electricity for light and power, and also operates a water distributing system in and about Nordhoff, in the Ojai Valley, Ventura County, California. The Ojai Power Company was incorporated in July, 1912, with an authorized capital stock of \$50,000.00, divided into 500 shares of the par value of \$100.00 each. In the order made by this Commission on December 3, 1912, in Application No. 276, Ojai Power Company was authorized to issue its capital stock of the par value of \$25,000.00 for the purpose of acquiring and constructing an electric light distributing system. All of the stock so authorized was issued at par and the proceeds devoted to the purpose named.

In the order of this Commission made on August 13, 1913, Ojai Power Company was authorized to issue its capital stock of the par

value of \$10,000.00, part of the proceeds of which were to be used in acquiring a water distributing system and the remainder to be used in extensions and betterments in the electric light and water systems as occasion therefor arose. Only \$5,800.00 of this stock was issued at par; the remaining \$4,200.00 par value now remains in the treasury, and the authority to issue this stock according to the terms of the order heretofore made, expires on July 1, 1914.

Ojai Power Company now desires to increase its electric plant to meet the growing demand for electric power and to pump water for irrigation in the Ojai Valley. Applicant has designed an additional unit to its electric system, which, if acquired and installed, will cost approximately \$13,000.00. The actual equipment necessary for this additional unit is set out in detail in that certain contract between applicant and the Snow Steam Pump Works, attached to this application and marked "Exhibit A." The equipment itself, according to the terms of this contract, will cost \$10,920.00, and applicant's estimate that the construction of the foundations and the buildings necessary to install this equipment and the wiring of the switchboards will cost an additional \$2,080.00. Applicant has, accordingly, filed this application asking authority to issue \$13,000.00 par value of stock for these purposes, and also requesting authority to issue an additional \$6,200.00 par value of stock for the installation of meters, service connections, extensions and betterments to its electric light and power system as occasion therefor may arise.

Ojai Power Company has issued no bonds and has no notes outstanding. All of the stock issued has been issued so as to net the company the par value thereof. The financial condition of this company is such that I have no hesitancy in recommending that the application be granted.

#### ORDER.

Ojai Power Company having applied to this Commission for permission to issue its capital stock for the par value of \$19,200.00, and a hearing having been held thereon, and the Commission finding that the purposes for which this stock is to be issued are not in whole nor in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Ojai Power Company be and it hereby is authorized to issue its capital stock of the par value of \$19,200.00, upon the following conditions, and not otherwise, to wit:

1. The stock herein authorized to be issued shall be issued so as to net applicant the par value thereof;
2. The proceeds derived from the sale of this stock shall be used only for the following purposes:

(a) \$10,920.00 for the electric equipment to be furnished applicant by the Snow Steam Pump Works and described in detail in the contract between applicant and the Snow Steam Pump Works,

attached to the application in this proceeding and marked "Exhibit A";

(b) \$2,080.00 for the construction of the foundations and buildings and the labor necessary to the installation of the above-mentioned equipment, together with the wiring of the switchboards and other work necessary to put this equipment into operation as an additional unit to applicant's electric system;

(c) \$6,200.00 for meters, service connections, extensions and betterments to applicant's electric light and power system. Total, \$19,200.00.

3. Applicant shall keep true, separate, and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the stock hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission, stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to applicant to issue stock shall apply only to stock issued on or before the first day of July, 1915.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of June, 1914.

---

DECISION No. 1589.

IN THE MATTER OF THE APPLICATION OF THE SOUTHWESTERN HOME TELEPHONE COMPANY FOR AUTHORITY TO ISSUE STOCK BONDS AND NOTES.

---

Application No. 871.

*Decided June 17, 1914.*

---

Supplemental order authorizing applicant to execute notes aggregating the face value of \$8,500.00 in renewal of notes of a like amount now outstanding, and to repledge certain bonds now pledged as security for same.

REPORT OF THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

GORDON, *Commissioner*.

Southwestern Home Telephone Company having filed a supplemental application in the above entitled matter asking for authority to issue

promissory notes as follows: Joseph S. Hale, \$3,000.00; Gertrude A. Hayes, \$3,000.00; Mary G. Casselberry, \$2,500.00; and it appearing that it is proposed to issue said notes to the same parties for notes in similar amounts illegally issued without the prior approval of this Commission; and it appearing further that the notes herein proposed to be issued will merely continue an indebtedness incurred by the applicant prior to March 23, 1912, when the Public Utilities Act became effective; and Southwestern Home Telephone Company having applied for authority to repledge, as security for these notes, such bonds as have already been pledged as security therefor.

*It is hereby ordered* that Southwestern Home Telephone Company be given authority, and it is hereby given authority, to issue the following promissory notes: To Joseph S. Hale, \$3,000.00; Gertrude A. Hayes, \$3,000.00; Mary G. Casselberry, \$2,500.00.

*It is further ordered* that Southwestern Home Telephone Company be given authority, and it is hereby given authority, to pledge as collateral security for said notes such bonds as have been pledged as collateral security for notes in similar amounts now held by Joseph S. Hale, Gertrude A. Hayes, and Mary G. Casselberry.

The authority given is given upon condition that the notes herein authorized shall be issued in substitution for notes in similar amounts now held by Joseph S. Hale, Gertrude A. Hayes, and Mary G. Casselberry.

The notes herein authorized to be issued shall be for a period not to exceed two years, and for a rate of interest not to exceed 7 per cent per annum.

The authority herein given is given upon the further condition that Southwestern Home Telephone Company shall report to this Commission within thirty days that it has issued the notes authorized, and that it has cancelled the notes in substitution for which these notes are authorized.

The foregoing second supplemental order is hereby approved and ordered filed as the second supplemental order of the Railroad Commission, State of California.

Dated at San Francisco, this 17th day of June, 1914.



## DECISION No. 1590.

THE SARATOGA IMPROVEMENT ASSOCIATION  
*vs.*  
THE SAN JOSE WATER COMPANY.

---

Case No. 535.

---

*Decided June 17, 1914.*

---

Complainant alleges that the water service of respondent at the head of Oak street, in the city of Saratoga, is entirely inadequate and insufficient, and that the water company does not take proper steps to prevent its water from pollution.

*Held*, That the Commission has no jurisdiction over the purity of water, such jurisdiction resting with the health authorities, who have already taken steps to eliminate this portion of the complaint.

*Held*, That to compel respondent to improve its facilities at its own expense so as to properly serve the few consumers now inadequately supplied would be unjust. Parties interested directed to confer with a view to agreeing upon the division of expenses covering the cost of a tank and pumping facilities to adequately supply these consumers, and if, after thirty days, such an agreement can not be reached, the Commission will make its further order directing such adjustments as may appear justified.

*W. A. McCausland*, for Complainant.

*S. F. Lieb*, for Defendant.

*Wm. F. James*, for Peninsular Railway Company, Intervenor.

REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This case involves the adequacy of the service of water by San Jose Water Company to Saratoga, Santa Clara County.

The complaint alleges, in effect, that defendant supplies water to the citizens of Saratoga for general domestic use and for irrigating lawns, and that most of the citizens of the town are wholly dependent on the company for their water supply; that defendant's reservoir is so located that some of the citizens of Saratoga are unable to secure water on the first floor of their homes, and that many are deprived of water service on the second floor; that the defendant takes its water supply from Saratoga Creek, and that the dam for supplying the reservoir is located about a quarter of a mile below the picnic grounds and barbecue pits of the Congress Springs picnic grounds; that refuse is deposited in Saratoga Creek by picnickers in such a way that the waters diverted by the defendant become polluted; that certain water-closets are located on the picnic grounds in close proximity to the creek, and that they pollute the waters thereof; and that during five days in July, 1913, the water company failed to supply a large number of the citizens of the town with water, and that damage resulted therefrom. The complainant asks

that the defendant be required to construct a reservoir of sufficient capacity to furnish an adequate supply of water to the citizens of Saratoga on the second as well as on the first floor of their homes, and that defendant be required to take its supply of water from Saratoga Creek at a point above the picnic grounds.

The answer denies all the material allegations of the complaint, and, in particular, alleges that defendant is unable to build a reservoir at any higher elevation, and that defendant has never held itself out as intending to supply water to any person other than those who are below the flow of the water from the head furnished by the existing reservoir.

The hearing in this proceeding was held at Saratoga on May 8, 1914. The Peninsular Railway Company, the owner of the Congress Springs property, asked for and was granted leave to intervene and to present evidence with reference to conditions on the picnic grounds. San Jose Water Company asked for and was granted permission to file a brief. This brief has been filed and the case is now ready for decision.

The complainant, at the hearing, presented three chief complaints, as follows:

- (1) Pollution of water;
- (2) Insufficiency of water supply in July, 1913;
- (3) Inadequacy of supply to certain consumers.

With reference to the pollution of the water, the principal charge is that certain toilets on the Congress Springs picnic grounds are located on the banks of the creek, in close proximity thereto, and that the waters of the creek have been polluted thereby. As was pointed out at the hearing, this is a matter concerning which jurisdiction no longer vests in the Commission. Under the provisions of chapter 373 of the Laws of 1913 (Statutes 1913, p. 793) jurisdiction to prevent the supply of water which is polluted or dangerous to health is now vested in the State Board of Health.

Nevertheless, as all the parties desired to present their views on these matters, evidence was received. It appears from this evidence that the Peninsular Railway Company has abandoned some toilets and is reconstructing the others according to approved sanitary specifications, under the instruction of the county health officer of Santa Clara County. All parties agreed that this source of complaint will now be removed.

Referring now to the insufficiency of water during five days in July, 1913, it appears that this insufficiency was due to temporary conditions, arising in part from the extremely dry season in 1913, in part from the acts of upper riparian owners in diverting water at a critical time, and in part from a hidden leak in the pipe running from the reservoir to supply the town. It appears from the evidence that this is the first time since 1892, when the water company began its service to Saratoga,

that there has been a dearth of water and that it is not to be expected that these conditions will recur.

I come now to the principal complaint, which is that the defendant does not give an adequate supply of water to five certain consumers on Oak street, in Saratoga, viz, the schoolhouse, the Missionary House, and the residences of Osgood, Gassett, and King. The evidence shows that the schoolhouse, which has the lowest elevation of these five places, has a supply of water on the first floor, but that on account of inadequate pressure, it was found impossible to install a sanitary drinking fountain on the second floor; that as to the four private residences which are located at a higher elevation, the water frequently does not reach the first story and that it is necessary for several of these people to let the water run or trickle into a basement or excavation, and thence to pump it by windmill into a tank, and that these difficulties were accentuated a year or two ago when the people of Saratoga, after forming a sanitary district, built a sewer to the head of Oak street, which sewer, in the upper regions on Oak street, it is frequently impossible to flush because of the lack of water. The water company claims that the school and the private residences referred to were built with knowledge of the more adequate supply to these people, and that it is not under obligation to do so. The complaint with reference to the inadequacy of the supply is limited to the five consumers hereinbefore indicated, all living on Oak street.

The evidence shows clearly that the supply to these consumers is not adequate. It also shows that defendant's diverting dam and reservoir have been located at as high an elevation on defendant's property as is feasible, and that defendant can not give a better pressure as long as it confines itself to its present equipment. If defendant should seek to divert water at a higher point on the stream, and should condemn the right to do so, and should build the necessary dam and make the necessary improvements in its system, the cost would be prohibitive, so that all parties agree that it is not feasible to consider this method of solving the problem. It would be possible, however, to install a pump and entirely feasible by so doing to pump sufficient water out of defendant's mains to these five customers.

Defendant claims that it should not be called upon to incur the necessary capital outlay to install such pump and the expenses of operation and maintenance which would ensue. The company claims that it has never held itself out as supplying any pressure different from that which it has hitherto supplied and that it is under no obligation to do so. The evidence shows that defendant bought its water rights in 1888; that it laid its first mains and began the supply of water in Saratoga in 1892; that it built its present reservoir in 1894; that in 1894 the company laid 700 feet of pipe in Oak street to the corner of the property

on which the schoolhouse is located; that the Missionary House was built in 1897, the present schoolhouse in 1898, the Gassett house in 1904, and the Congregational parsonage and the King place at about the same time. There is some evidence that the main which serves these five customers was laid by the property owners themselves, but this fact is, of course, not conclusive with reference to the water company's obligations. The water company undertook to serve water to these people and has continuously served them and collected water rates during a period of between ten and fifteen years. This is not a case of extensions to new customers, but one of giving adequate service to existing customers who have been served over a considerable period of time.

There is no question in my mind that the five customers to whom I have referred should receive a better service, and there is no doubt that they can secure it by the installation of a pump and tank. The only question is as to who shall bear the expense of installation, maintenance and operation of the necessary improvements. This Commission's hydraulic department reports that an electrically operated pumping plant sufficient to give adequate service at all times would cost in the neighborhood of \$400.00, installed, and that a tank of, say 8,000 gallons capacity, with the necessary valves and connections, would cost not to exceed \$600.00, so that the sum of \$1,000.00 would cover the entire installation. The total sum chargeable annually for interest, operation and depreciation would not exceed \$200.00.

I can not agree with defendant's contention that a public utility which starts out to give one grade of service can not be compelled, as time passes, to give to its customers an improved service. If this contention were sound, a railroad company could never be called upon by public authority to install safety block signals or other safety appliances, or to improve the type of its cars, or in any way to make its service more safe and adequate than that which it originally gave. On the other hand, I find considerable equity in this case in favor of the water company. The company's revenue at the present time does not seem sufficient to justify an order compelling the company, at its existing rates, to install and thereafter maintain and operate at its sole cost, the improvements necessary to give an adequate supply of water to the consumers who live on the head of Oak street. There is also some equity in the claim that the houses at the head of Oak street were built with full knowledge of the limitations of defendant's water supply at that time existing, and that matters have run along for more than ten years without apparently any complaint on the part of the consumers. The construction of the sewer along Oak street has apparently brought matters to a head.

I find, as a fact, that it is reasonable that a pump should be installed for the purpose of giving an adequate service to the consumers who live at the head of Oak street; that the expense of installation, maintenance, operation and depreciation should be shared on some equitable basis between the consumers primarily to be benefited and the public utility, and that it may be reasonable to establish a zone rate for these five customers and to have them pay a higher rate for their water than the other customers at Saratoga whose service is at the present time adequate, and who will receive no benefit from the proposed improvements.

I do not desire at the present time to work out all the details connected with the proposed improvement, but prefer to leave that matter initially to the parties themselves. I suggest to the complainants herein that if they are willing themselves to install a pump and tank, and thereafter to continue to receive water at their present rate, or if they are willing, in case the water company installs, maintains, and operates the plant, to pay the necessary increased rate for water, they should promptly confer with the defendant and see whether an amicable settlement can not be reached. If the parties, in good faith, try to reach a conclusion, and can not agree within thirty days from the date of this order, and will so report to this Commission, the Commission will direct its hydraulic department to work out the details of a plan, whereupon this Commission will issue a supplemental order establishing the details. The case will be held open for that purpose. The Commission prefers that the parties reach an agreement among themselves, for the reason that such agreement will probably give better satisfaction in the long run than though this Commission should now undertake to prescribe every detail.

I submit herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding and the case having been submitted, and the Railroad Commission finding that the service to defendant's customers at the head of Oak street should be rendered adequate on the basis of an equitable sharing of the expense therein as between defendant and its customers on the head of Oak street, as indicated in the opinion herein,

*It is hereby ordered* that the parties hereto confer with one another for the purpose of working out the details of the installation of additional equipment and of the sharing of the expense of the installation, maintenance, operation, and depreciation thereof. If the parties, after making a bona fide effort, can not agree on the details, the complainant may, within thirty days from the date of this order, again present the

matter to the Commission, whereupon the Commission will make such supplemental order as may seem just and reasonable in the premises.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of June, 1914.

DECISION No. 1591.

IN THE MATTER OF THE APPLICATION OF R. W. ELLIOTT,  
DOING BUSINESS UNDER THE NAME OF GARDEN GROVE  
WATER COMPANY, TO CHANGE HIS RATES FOR WATER.

Application No. 1015.

*Decided June 17, 1914.*

Application of R. W. Elliott, serving the community of Garden Grove with water, for permission to meter consumers using water for irrigation purposes, and to place in effect a rate of \$1.00 for the first 800 cubic feet and \$1.00 for each additional 800 cubic feet of water, in lieu of the rate now in effect, granted.

*R. W. Elliott, in propria persona.*

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

The petition herein shows that R. W. Elliott is a public utility engaged in the business of supplying water to a portion of the unincorporated community of Garden Grove, in Orange County, under the name of Garden Grove Water Company. Mr. Elliott owns a well and pump and distributing system, and supplies water to some seventy-five families. He has been charging the flat rate of \$1.00 per month per consumer. He now finds that a number of consumers are using excessive amounts of water and desires to install meters for all consumers who do any irrigating, and to charge the rate charged for water so that hereafter the rate shall be as follows: \$1.00 per month for each consumer, entitling him to the use of 800 cubic feet of water, with an additional rate of \$1.00 per 800 cubic feet of water used in excess of 800 cubic feet per month.

A hearing on this application was held in Garden Grove on June 6, 1914. A large number of citizens of Garden Grove were present at the hearing and expressed their views concerning the application, and also the larger question of a permanent and adequate supply of water for Garden Grove. While no objection was voiced to the granting of the present application, attention was drawn to the fact that three small

water companies at present serve Garden Grove; that none of them is at present able to supply the entire community; that there is no fire protection; and that it would be well to consolidate the three existing companies and to make the necessary improvements, so that the one new company can give adequate service to all people in Garden Grove, and also give fire protection.

Mr. Elliott has installed fifteen meters and desires to install twenty-three more. He is also planning to install a new pumping plant, to be known as Plant No. 2, so as to be in a position to give a more adequate supply of water to his customers. He takes the position, however, that even under the proposed new rate, he would be unable to install the necessary pipe line in connection with the new pumping plant.

Mr. Elliott's annual report for the year ending December 31, 1913, on file with this Commission, shows that his operating revenue for the year 1913 was \$960.50 and his operating expenses \$852.20, leaving a balance of \$108.30 to apply on interest on the investment and on depreciation. The present value of pumping plant No. 1 is somewhat in excess of \$3,000.00, and it seems clear that a profit of \$108.30 falls considerably short of giving the necessary return on the value of the property and providing for depreciation.

I find that the plan of metering the system is commendable, and that Mr. Elliott is entitled to the additional return which will result from the change in the form of the rate, and shall accordingly recommend that the application be granted in this respect.

I am not satisfied that an order should be made limiting the period for lawn sprinkling to between seven and nine o'clock in the morning. If the system is metered, and each consumer must pay for excess water, there is much reason in support of the contention that the consumer should be permitted to sprinkle his lawn when it is convenient to do so. I accordingly suggest that no order be made on this point at the present time.

I am by no means unmindful of the larger problem which is involved in the water situation at Garden Grove. The people of Garden Grove are now taking steps to incorporate a new company to take over the properties of the three existing companies and the Commission has asked one of its hydraulic engineers to attend a public meeting which will shortly be held in Garden Grove, and to present an approximate estimate of the value of the existing properties, so that the people of Garden Grove, in forming their new water corporation and subscribing for the stock thereof, may be able to reach a fairly accurate conclusion as to the value of the systems to be taken over. The Commission desires to be of all possible assistance in helping the people of Garden Grove to reach a permanent and satisfactory solution of their water problem.

I submit herewith the following form of order:

## ORDER.

R. W. Elliott, a public water utility, doing business under the name of Garden Grove Water Company, having applied to the Railroad Commission for an order authorizing him to install meters for all of his customers who use water for irrigation, and to establish the rate herein-after indicated, and the Commission finding that said rate is reasonable,

*It is hereby ordered* that R. W. Elliott, doing business under the name of Garden Grove Water Company, be and he is hereby authorized to install, at his own expense, meters for all customers who use water for irrigation, and to establish, effective on July 1, 1914, the following rate to be charged for water: \$1.00, minimum monthly bill, for 800 cubic feet of water per month, or less; \$1.00 for each 800 cubic feet of water used in excess of the first 800 cubic feet.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of June, 1914.

-----  
DECISION No. 1592.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO CONSTRUCT AND MAINTAIN AT GRADE A CROSSING WITH THE RAILROAD OF THE SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY, AT A POINT ON MAGNOLIA AVENUE, IN THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

## Application No. 686.

IN THE MATTER OF THE APPLICATION OF THE CITY OF RIVERSIDE FOR PERMISSION TO OPERATE AND MAINTAIN A GRADE CROSSING ACROSS THE TRACKS OF THE SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD COMPANY WHERE THE SAME CROSSES MAGNOLIA AVENUE, IN THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

-----  
Application No. 1051.

*Decided June 17, 1914.*

Applicant, Pacific Electric Railway Company, applies for permission to construct an unprotected grade crossing across the tracks of the Salt Lake Railroad Company which, owing to the number of trains which would pass daily over the tracks of both companies, would be extremely dangerous.



Applicant, City of Riverside, applies for permission to extend Magnolia avenue at grade, over the tracks of Salt Lake Railroad Company, and there being considerable opposition on the part of property owners and the city against a subway at this particular point, which it is claimed would greatly impair the value of this street and adjoining property, and parties interested agreeing that an electrically operated interlocking plant would sufficiently protect such grade crossing.

*Held*, Applications granted, provided Pacific Electric Railway Company shall install, within six months, a first-class interlocking plant with safety gates in accordance with Commission's General Order No. 33.

*Frank Karr*, for Pacific Electric Railway Company.

*A. S. Halsted* and *E. M. Jessup*, for San Pedro, Los Angeles and Salt Lake Railroad Company.

*A. G. Irving*, for the City of Riverside.

#### REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

These two applications, No. 686 and No. 1051, respectively, deal with the same subject-matter, and have therefore been consolidated. Application No. 686 was filed by the Pacific Electric Railway Company with the Commission on August 8, 1913, and, in substance, states that the applicant is engaged in the construction of a railroad from a point in its present constructed tracks near the junction of Main street, Fourteenth street and Magnolia avenue, in the city of Riverside, southwesterly along Magnolia avenue to a point in its existing tracks near the junction of Magnolia avenue, Palm avenue and Arlington avenue, in the city of Riverside; and that in constructing this railroad it is necessary to cross at grade the railroad tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company at a point on said Magnolia avenue distant northeasterly approximately one thousand five hundred and fifty-three (1,553) feet from the center line of Central avenue. The Pacific Electric Railway Company avers that it is not reasonable nor practicable to effect a separation of grades at this crossing, for the following principal reasons:

Magnolia avenue is an improved street in the city of Riverside, and is crossed at grade at the point of this proposed crossing by the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company. It would be impracticable, the applicant states, for the proposed line to be constructed under the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company, because the construction of an undergrade crossing at this point would result in the destruction of said Magnolia avenue here for all ordinary purposes of street travel.

To cross over the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company would also be impracticable at this point, according to the applicant, as it would require the construction of an elevated structure along said Magnolia avenue, which would cut off reasonable approach to applicant's railroad from the territory which the said rail-

road is designed to serve. In fact, applicant claims the territory in this vicinity would be greatly damaged by the construction of either a sub-crossing or an overhead crossing, whereas it would be materially benefited by the construction of a surface crossing.

The Pacific Electric Railway Company further states its belief that owing to the location of the proposed crossing in a public street in the city of Riverside sufficient security for the operation of both railroads, at the point of crossing, with due regard to the safety of the public, would be provided by the trains and cars of the applicant being brought to a full stop before passing over the said crossing, and within fifty (50) feet thereof, and that the conductor or other employee of applicant shall go upon said crossing and ascertain that no engine, train or car of the San Pedro, Los Angeles and Salt Lake Railroad Company is approaching the crossing from either direction before permitting his train, motor or car to proceed over said crossing.

Investigation by the Commission's staff showed that the construction of this crossing was a matter of considerable importance, not only to the two railroads involved but also to the city of Riverside. It appears that Magnolia avenue was opened by the city of Riverside in 1909, and extended from Arlington avenue to Fourteenth street, a distance of about three (3) miles. The Pacific Electric Railway Company has a double track franchise over Magnolia avenue.

It is proposed by the city of Riverside to improve and beautify Magnolia avenue, and to make it the principal thoroughfare of that city and one of the most beautiful boulevards of entire southern California; and the city has up to this time spent nearly one hundred thousand dollars (\$100,000) on three (3) miles of this street in the immediate neighborhood of this proposed crossing.

The petition of the Pacific Electric Railway Company in effect asks for an unprotected grade crossing over the San Pedro, Los Angeles and Salt Lake Railroad Company. This line at that point consists of three (3) tracks—one main line track and two sidings. Eighteen (18) regular trains per day cross this point, and the through passenger trains run over the crossing at a speed of about forty (40) miles per hour. While the Pacific Electric Railway Company for a short time after the completion of this proposed stretch of road will operate a street car business over the crossing only, the time will not be far distant when that company will operate high-speed electric trains, consisting of more than one car, on Magnolia avenue; and at the first hearing held on the application of the city of Riverside, on October 2, 1913, I therefore expressed my strong opinion that the Commission would be unwilling to grant permission for a grade crossing at that point with no other protection than the stopping of the Pacific Electric Railway Company's cars or trains prior to crossing the three tracks of the San Pedro, Los

Angeles and Salt Lake Railroad Company. In fact, I was at that time and am still of the opinion that the proper solution of this crossing problem would be the construction of an undergrade crossing, carrying Magnolia avenue and the tracks of the Pacific Electric Railway Company under the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company.

The application of the Pacific Electric Railway Company was therefore held in abeyance with the idea that an agreement could be reached between the railroad companies on the one side and the city of Riverside on the other, providing for the construction of this subway and for an equitable division of the expense. No estimates or plans for the proposed structure were available at that time, and it was stipulated that the railroad companies would submit such plans and estimates to both the Commission and the city of Riverside for consideration.

In the period between October 2, 1913, and March 23, 1914, the matter was handled through correspondence between the interested parties and the Commission. The Pacific Electric Railway Company agreed to make estimates of the cost of the separation of grades, and a tentative agreement was reached wherein the city expressed its willingness to assume, if the Commission should insist upon an undergrade crossing, twenty per cent (20%) of the cost of this structure, provided the railroad companies would divide the remaining eighty per cent (80%) between them. The Pacific Electric Railway Company agreed to assume forty per cent (40%) of the expense on the condition that the grades of its line in the approach cut would not exceed two and one half per cent ( $2\frac{1}{2}\%$ ). The San Pedro, Los Angeles and Salt Lake Railroad Company, before agreeing to bear any portion of the expense, drew up its own plans and made up its own cost estimate, and submitted these to the Pacific Electric Railway Company, to the city of Riverside and to the Commission. The city of Riverside was not satisfied with the plans of either the Pacific Electric Railway Company or the San Pedro, Los Angeles and Salt Lake Railroad Company, and submitted plans of its own. The San Pedro, Los Angeles and Salt Lake Railroad Company's estimate was in the neighborhood of seventy thousand dollars (\$70,000), and the city's estimate approximated seventy-five thousand dollars (\$75,000); but neither estimate included any allowances for property damages, nor for paving, gutter or curb; and excavations in both estimates were only figured to the grade of the street. It is probable that these missing items would bring the total cost of the structure to a sum in the neighborhood of one hundred thousand dollars (\$100,000). It is also necessary to say that the city's plan provides for approach grades of three and one half per cent ( $3\frac{1}{2}\%$ ), while the Pacific Electric Railway Company insisted upon grades not exceeding two and one half per cent ( $2\frac{1}{2}\%$ ).

In the mean time a very marked opposition developed on the part of the citizens of Riverside against the proposed construction of a subway at that point. This opposition finally took the form of an application by the city of Riverside to the Commission asking for permission to carry Magnolia avenue at grade across the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company at the point in question, which application is Application No. 1051, heretofore referred to. The city in its application voices its strong opposition to an undergrade crossing and states that to secure a subway of sufficient depth under the San Pedro, Los Angeles and Salt Lake Railroad Company's tracks will require excavations extending at least one thousand (1,000) feet on each side of said tracks, which excavations will damage the abutting property owners to a very large extent and will make their property undesirable for residential purposes and will completely deprive the owners of the benefits which induced them to contribute to the expense of and consent to the extension of said Magnolia avenue. The city also states that it was informed by the San Pedro, Los Angeles and Salt Lake Railroad Company and by the Pacific Electric Railway Company that they are ready, if the consent of this Commission can be secured, to execute a contract whereby they will install and operate an interlocking tower at this point. This application was set for hearing on May 25, 1914.

The testimony introduced at that hearing was almost unanimous against a subway and in favor of a protected grade crossing. The history of this Magnolia avenue extension was gone into and it developed that the expense of building this thoroughfare in the manner in which it is laid out would not have been incurred by the city, and the necessary property for the widening of this street could not have been acquired if it had been known that a subway under the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company would at any time arise as a possibility.

I am still of the opinion that in the long run a separation of grades at that point would be more desirable than an interlocked crossing at grade. However, I believe that a grade crossing protected by an electric interlocking device with gates can be made entirely safe, while an unprotected grade crossing, as petitioned for by the Pacific Electric Railway Company in its Application No. 686, is out of the question. I believe, therefore, that if the city of Riverside is willing to have an interlocking tower erected at that point, there will be no objection on the part of the Commission.

I was informed at the hearing that satisfactory arrangements have been reached as to the division of the cost of construction and maintenance of the interlocking device, and that the Pacific Electric Railway Company, which company is to build the tower, has submitted a design of the tower to the city of Riverside which is satisfactory to the city

authorities, and is architecturally and structurally in keeping with the character and importance of Magnolia avenue. I therefore recommend that the application of the Pacific Electric Railway Company and the application of the city of Riverside be granted, with the condition that an electric interlocking device with gates be installed and the crossing in other respects be constructed subject to the approval of the Commission.

I recommend the following form of order:

**ORDER.**

The Pacific Electric Railway Company, having on August 8, 1913, filed with the Commission an application for permission to construct and maintain at grade a crossing with the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company at a point in Magnolia avenue, in the city of Riverside, county of Riverside, California, approximately one thousand five hundred and fifty-three (1,553) feet northeasterly from the center line of Central avenue; and the city of Riverside, having on March 23, 1914, filed with the Commission an application for permission to operate and maintain a crossing over the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company where the same cross Magnolia avenue, in the city of Riverside, county of Riverside, California; and public hearings having been held upon both applications at Riverside, California, on October 23, 1913, and May 25, 1914, respectively, at which hearings all parties interested were present and testimony relevant to the matter was given; and it appearing to the Commission that it is impossible under all the circumstances prevailing at the present time to avoid a grade crossing at said proposed point of crossing, and that the applications should be granted subject to the conditions hereinafter specified,

*It is hereby ordered* that permission be hereby granted Pacific Electric Railway Company to construct its double main line track at grade across the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company, at a point on Magnolia avenue, in the city of Riverside, county of Riverside, California, approximately one thousand five hundred and fifty-three (1,553) feet northeasterly from the center line of Central avenue, as shown by the map and profile attached to the application and subject to the following conditions, viz:

(1) The Pacific Electric Railway Company shall provide suitable crossing frogs and timbers for the construction of said crossing, and shall thereafter maintain same in good and first-class condition for the safe operation of trains and cars thereover; and the cost of installing and maintaining the crossing shall be divided according to the terms of the contract entered into between the Pacific Electric Railway Company and the San Pedro, Los Angeles and Salt Lake Railroad Company.

(2) The Pacific Electric Railway Company shall, at its own expense, within six (6) months from the date of this order, for the protection

of said crossing, construct and install a first-class standard interlocking device, with gates, of such plan and design as shall conform with this Commission's General Order No. 33; and the entire cost of constructing and installing said interlocking device shall be borne by the Pacific Electric Railway Company, in accordance with the contract referred to hereinbefore under paragraph (1).

(3) Said interlocking device shall thereafter be operated and maintained in accordance with this Commission's General Order No. 33 and also in accordance with such other rules and regulations as this Commission may issue in this matter; and the expense of maintaining and operating said interlocking device after the installation thereof, shall be divided in accordance with the terms of the contract heretofore referred to.

(4) A certified copy of the contract entered into between the Pacific Electric Railway Company and the San Pedro, Los Angeles and Salt Lake Railroad Company, regarding this crossing, shall be filed with the Commission within ten (10) days after the date of this order.

(5) The Pacific Electric Railway Company shall construct its tracks and trolley wires in conformity with this Commission's General Order No. 26.

(6) *It is hereby further ordered* that permission be hereby granted the city of Riverside to operate and maintain a grade crossing over the tracks of the San Pedro, Los Angeles and Salt Lake Railroad Company, where the same cross Magnolia avenue, in the city of Riverside, Riverside County, California, as shown by the map and profile attached to the application and subject to the following conditions, viz:

(1) The entire expense of constructing the crossing shall be borne by the city of Riverside.

(2) The expense of maintaining the crossing thereafter in good and first-class condition for the safe and convenient use of the public, shall be borne by the city of Riverside up to within two (2) feet of the rails of the Pacific Electric Railway Company and the San Pedro, Los Angeles and Salt Lake Railroad Company.

(3) The Pacific Electric Railway Company and the San Pedro, Los Angeles and Salt Lake Railroad Company shall maintain said crossing across their tracks and to within two (2) feet of the outside thereof.

(4) Said crossing shall in every way be made safe and convenient for the passage thereover of vehicles and other road traffic.

(5) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission, if, in its judgment, the public convenience and necessity demand such action.

Dated at San Francisco, California, this 17th day of June, 1914.

## DECISION No. 1593.

IN THE MATTER OF THE APPLICATION OF THE BOARD OF TRADE OF THE CITY OF TURLOCK, FOR AN ORDER DIRECTING THE SOUTHERN PACIFIC COMPANY TO ERECT AND MAINTAIN A NEW DEPOT IN SAID CITY; TO STOP PASSENGER TRAIN NO. 50; AND TO ESTABLISH GATES OR PLACE A FLAGMAN AT THE SWITCH CROSSING ON EAST MAIN STREET BETWEEN THE LANE-HULTBERG BLOCK AND THE SANTOS BLOCK, IN SAID CITY OF TURLOCK.

---

Application No. 1086.

*Decided June 17, 1914.*

---

Applicant alleges that the present depot facilities of respondent in the city of Turlock are entirely inadequate to properly serve said city, and petitions the Commission to compel respondent to construct a depot of suitable size and appearance, and to separate its passenger from its freight depot; also to direct respondent to stop its train No. 50, operating between Oakland and Fresno.

*Held*, Respondent directed to file within sixty days, for the approval of the Commission, plans for a passenger depot to be constructed at Turlock to cost not less than \$10,000.00, and to construct said depot six months after the approval of such plans, provided the city of Turlock shall acquire a certain strip of property adjoining the proposed new depot, remove the present structures thereon and park same. Respondent also directed to remove a certain siding crossing Main street, and to separate its passenger from its freight depot.

*Held*, Complaint as regards the stopping of train No. 50 dismissed.

*George D. Squires*, for Southern Pacific Company.

*E. R. Fowler*, for the Board of Trade of the City of Turlock.

## REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

On April 14, 1914, the board of trade of the city of Turlock filed with this Commission its application, alleging in substance that the present depot of the Southern Pacific Company is wholly inadequate and insufficient for the use of the public and the transaction of the business of said company; and that the facilities for the convenience of the public are insufficient and unsanitary. Applicant states that the present depot is of an inferior, out-of-date and poor style of architecture, and that by reason thereof and on account of its forbidding appearance it is a damage and detriment to the city of Turlock, and has a direct tendency to prevent adjacent property owners from improving their properties, and retards the advancement of the city.

Petitioner further states that the said depot is also used for the purpose of handling freight, and that the city of Turlock is sufficiently

large to demand a depot for the handling of passengers, and also a depot for the handling of freight.

Applicant avers that by reason of said depot being used for the handling of freight the extra switching of trains makes it extra hazardous, inconvenient, and dangerous to the traveling public along East and West Main street, and to passengers traveling to and from the city of Turlock over the lines of said company.

The application further states that train No. 50, leaving the city of Oakland and passing through said city of Turlock, does not stop; and that due to this fact it is a serious inconvenience and annoyance to passengers traveling to and from the city of Turlock over the lines of said company.

It is further stated that there is no good or sufficient reason why this train should not stop at Turlock, as it does stop at other towns along its road having less population and which are less important than the city of Turlock.

Applicant further complains that the crossing over the switch of the Southern Pacific Company on East Main street, between the Lane-Hultberg Block and the Santos Block, in the city of Turlock, is an extremely dangerous one, and is a constant menace to the safety of persons traveling along said street and over said crossing; and that the westerly walls of said Lane-Hultberg Block and said Santos Block, respectively, are within six (6) feet of said switch. Applicant states that there are no gates maintained at said crossing and no flagman or watchman is stationed there; and that the persons traveling westerly along said East Main street, approaching said crossing, can not see cars which are being switched over and along this track until they pass beyond the line of the westerly walls of the above mentioned blocks. This frequently brings people within five or six feet of oncoming cars before they are aware of the approach of same; and it is stated that a number of collisions have occurred by the cars being so switched and teams passing along said street, and that serious accidents have frequently been narrowly averted at this crossing.

The applicant prays that the Commission take the necessary steps to correct the existing conditions in relation to the foregoing matters complained of.

The Southern Pacific Company on March 11, 1914, filed its answer in Application No. 1086, and prays that the application be dismissed. The respondent denies the applicant's material allegations with reference to the inadequacy and inconvenience of the present depot facilities at Turlock. It also denies that the use of said depot for the purpose of handling freight, and by reason of the extra switching of cars occasioned thereby, is a source of danger and inconvenience to the traveling public on East and West Main street, in the said city of Turlock, and maintains



that gates have been constructed across said street and an automatic bell installed at the point where its tracks cross Main street.

With reference to the complaint that Southern Pacific passenger train No. 50 does not stop at the city of Turlock, respondent avers that said train is operated as a through train from Oakland to Fresno in competition with a train of a similar character operated by the Atchison, Topeka and Santa Fe Railway Company; and as the running time of said train, allowing for stops between Oakland and Fresno, is forty-two miles per hour, it stops at no point not required by operating conditions except county seats and on flag at Byron Hot Springs. Respondent denies that by reason of the fact that said passenger train No. 50 does not stop at Turlock any passengers traveling over its line to or from said city of Turlock suffer any serious inconvenience or annoyance, and denies that said train No. 50 stops at other points on its road which are of less importance than said city of Turlock.

With reference to the applicant's complaint that the switch maintained by respondent on East Main street, between the Lane-Hultberg Block and the Santos Block, in the said city of Turlock, is extremely dangerous and a constant menace to the safety of persons traveling along said street and over said crossing, the respondent denies this allegation, and denies also that many collisions have occurred at this crossing, and avers that said track is an industrial spur track, and cars are switched along said track never oftener than twice a day.

The respondent also denies that requests made by the applicant directly to it for a remedy of the matters complained of have been ignored, and avers that it has carefully considered all of such requests and demands; but owing to the fact that a suit has been instituted by the United States against respondent in the United States District Court for the district of Utah, under the so-called Sherman Anti-Trust Act, in which the plaintiff seeks to cancel the lease executed by the Central Pacific Railway Company to respondent of the lines of the former company, including the line passing through the said city of Turlock, and to compel the operation of the lines of the said Central Pacific Railway Company and the other leased lines of the respondent as separate systems, respondent's title, under said lease, to the depot and other facilities existing in said city of Turlock, is in jeopardy, and, should the Government ultimately prevail in said suit, it may be divested of such property. Therefore, respondent states it has not, for obvious reasons, acted upon said requests for new or improved facilities at said city of Turlock, and does not desire to do so until the final determination of said suit.

The hearing in this case was held at Turlock on May 20, 1914. Both the applicant and respondent were represented, considerable testimony was taken, and the case is now ready for decision.

Turlock is the second city in importance in Stanislaus County, and is the center of the Turlock Irrigation District, comprising over 176,000 acres. Turlock has increased from a village of 150 people in 1902 to a city of over 2,500 people at the present time. It is a rapidly growing agricultural and business center. The output of its creameries is over 70,000 pounds of butter per month. It has a large fruit cannery, three lumber yards, two packing-houses, two planing mills, and a considerable number of other industrial establishments. During the year 1911 building permits to a sum of over \$230,000.00 were issued. The city is located on the Lathrop-to-Fresno main line of the Stockton division of the Southern Pacific Company's Pacific System, and is a Class A station. Five (5) regular passenger trains and two (2) freight trains in each direction daily stop at Turlock. It is one of the important passenger and freight revenue producing points on the Southern Pacific Company's lines. The company's attorney stated at the hearing that the total receipts at this station for the last available twelve (12) months amounted to over four hundred and two thousand dollars (\$402,000).

The present combination freight and passenger depot at Turlock is located on the southeast side of Main street, between First street and Front street. It is an old structure, and there is no question in my opinion as to its inadequacy to serve the city of Turlock. In fact, the attorney for the defendant at the hearing agreed to stipulate, in order to shorten the introduction of testimony, that the facilities are inadequate and that they should be improved. I believe that the city of Turlock is entitled to a new and better depot.

From an investigation of this situation on the ground, I am convinced that the proper location of the new depot should be about one hundred (100) feet southeasterly from its present location, and on the company's right of way midway between Main street and Crane avenue. This location appears to me the most desirable for a number of reasons. It will relieve the present dangerous and inconvenient situation on Main street with regard to certain sidetracks and switches complained of in the application. This location will also permit of the parking and improving of the immediate neighborhood to the northwest and southeast, and make the depot more readily accessible from all directions. No inconvenience to the city will result from this location, as Crane avenue is now closed across the tracks of the Southern Pacific Company. It is my opinion, however, that if a new depot is built by the Southern Pacific Company the city of Turlock should be willing to do its share towards improving the transportation facilities at that point. There is now situated between Main street and Crane avenue, on the northwest and southeast, and between the Southern Pacific Company's right of way and Front street on the southwest and northeast, a small privately owned block of property of dimensions of seventy-five (75) feet by

three hundred (300) feet. This block is now occupied by an inferior type of buildings and by temporary warehouses and lumber sheds, and in my opinion constitutes not only an eyesore, but is a decided detriment and obstacle to the advancement of the city of Turlock. If this Commission should order the Southern Pacific Company to erect a new depot in the location outlined and the block referred to should remain in its present condition, the object of the applicant's petition, in my opinion, would be largely defeated, for the reason that this depot would be difficult of access, and the view would be entirely obstructed by the present or future buildings on the block referred to.

I believe, therefore, that the Commission should order in a new depot at Turlock only under the condition that the city acquire the small block referred to, this property to be improved and parked. The new depot will then be erected in pleasant and wholesome surroundings, be conveniently located, and undoubtedly prove a credit to both the city and the railroad company. If the city elects to comply with this condition the railroad company will undoubtedly park its right of way on both sides of the proposed new depot in keeping with the improvements made by the city; and will also remove the shacks on the opposite side of its tracks northeast of First street and between Main street and "A" street.

The proposed location of the passenger depot between Main street and Crane avenue will necessitate the removal of the spur on the northeast side of the main line, which is the spur between the Lane-Hultberg Block and the Santos Block, which the complainant objects to in its petition as being dangerous and a menace to safety of life and limb. This track, then, will not continue towards the southeast beyond the northwesterly line of Main street.

The Southern Pacific Company should also remove that portion of the sidetrack on the southwest of the main line extending across and to the southeast of Main street, and should place the southeasterly headblock of that sidetrack to the northwest of Main street.

No preference was expressed by the applicant as to the type of depot desired by the city, and no plans or cost estimates were submitted by the respondent. This matter is left for the decision of the Commission.

As I have heretofore stated in similar cases, I am not in favor of one particular style of building in preference to another, but I believe that a passenger depot should be erected, to be built of lath and plaster, or of brick, or of concrete hollow tile, or of other suitable materials satisfactory to the Commission, and designed, perhaps, in the so-called Mission style. I am of the opinion that it is reasonable and just to expend for such a structure, this being the passenger depot proper, a sum of not less than ten thousand dollars (\$10,000). Such a depot, I believe, will adequately serve the present and reasonable future needs

of the city of Turlock and the convenience of the railroad company's agents.

I am also of the opinion that the petition of the city of Turlock for a separation of the passenger from the freight facilities is justified, and I believe that the railroad company will be in sympathy with this separation if a new passenger depot is ordered. The applicant has expressed no definite wish as to where the proposed freight depot is to be located, and I am satisfied to leave this question to the decision of the railroad company and the citizens of Turlock.

Concerning that portion of the applicant's complaint asking the Commission to order that train No. 50 be stopped at the city of Turlock, I find that this train is operated as a fast through train from Oakland to Fresno, with an average running time of forty-two (42) miles per hour, and that this train, as stated in the Southern Pacific Company's answer to the petition, stops at no point not required by operating conditions except county seats and on flag at Byron Hot Springs. Fast through trains between principal cities are a public convenience and necessity, and I can not see how in this case the city of Turlock can be materially inconvenienced by reason of this train passing through this city without stopping, as another train, namely, train No. 52, arrives at and leaves Turlock within thirty-one (31) minutes after train No. 50 has passed through. Five (5) regular passenger trains in each direction daily stop at Turlock, and only one (1) fast train passes through the city without stopping; so I can not see where Turlock can consider itself as being discriminated against in comparison with other towns of equal importance. I am of the opinion, therefore, that this portion of the complaint should be dismissed.

I find therefore as a fact that the present passenger depot facilities of the Southern Pacific Company in the city of Turlock are inconvenient and inadequate for the passenger traffic handled at that point, and that said company should erect a passenger depot on its property in the location stated heretofore at a cost to it of not less than ten thousand dollars (\$10,000), for the passenger depot proper, said depot to be either a lath and plaster, or brick, or concrete hollow tile structure, or of a similar class of construction, and of a design satisfactory to this Commission.

I find further that sixty (60) days will be a reasonable time from the date of this order for the Southern Pacific Company to submit plans for this depot and secure the approval of the Commission; and that six (6) months will be a reasonable time after the approval of such plans for the construction and completion of said depot. I recommend to the defendant that in preparing its plans it should design a building of artistic appearance, in keeping with the size and importance and with the probable future needs of the city of Turlock.

I also find that a separation of the freight and passenger facilities at Turlock is desirable and that the Southern Pacific Company should erect a suitable freight depot in a suitable location, in connection with the construction of the passenger depot as above specified.

I find further that it is desirable from the standpoint of safety, as well as convenience, to eliminate the crossing of Main street by the warehouse track on the northeast side of the Southern Pacific Company's main line track between the Lane-Hultberg Block and the Santos Block, in the said city of Turlock, and that the industry track should be discontinued southeasterly, from the northwest line of East Main street.

I find further that the crossing of Main street by the sidetrack on the southwest side of the Southern Pacific Company's main line should be eliminated, and that the southeasterly switch of this siding should be moved northwesterly approximately three hundred and fifty (350) feet beyond the projection of the northwest line of Main street across the right of way of the Southern Pacific Company.

I also find that if the full benefit from the construction of a new depot is to be secured by the city of Turlock, the city should be required to acquire the small block of privately owned property bounded on the northeast by Front street and on the southwest by the Southern Pacific Company's right of way, and on the northwest by Main street and on the southeast by Crane avenue; and that the city should remove the existing buildings and structures and park this block, in keeping with the improvements to be made by the Southern Pacific Company in the surroundings of its new passenger depot.

I find further that the complaint with reference to the stopping of train No. 50 is not justified in fact, and recommend that this portion of the applicant's complaint be dismissed.

I submit herewith the following form of order :

**ORDER.**

The board of trade of the city of Turlock, a corporation, having filed with this Commission a complaint against the Southern Pacific Company, a corporation, in the proceeding entitled as above; and the Southern Pacific Company having filed with the Commission its answer; and a public hearing having been held, and the Commission finding as a fact that defendant's main line depot in the city of Turlock is inadequate and insufficient for the passenger traffic at that point, and that the Southern Pacific Company should erect on its property on the northeast side of its main line track and midway between Main street and Crane avenue, in the city of Turlock, a passenger depot of the cost and type hereinbefore specified; and that a separation of the freight and passenger facilities in the city of Turlock should be effected; and that further, by reason of the necessity of the rearrangement of the yard layout certain other desirable changes should be brought about, both by

the city of Turlock and by the Southern Pacific Company, as hereinbefore specified; and basing its order on the findings contained herein and on the opinion preceding this order, *it is hereby ordered*

1. Defendant shall, within sixty (60) days from the service on it of this order, present to the Railroad Commission for its approval plans for a passenger depot, to be built in the location hereinbefore described; and shall within six (6) months after the approval by this Commission of such plans build on said location a passenger depot of lath and plaster, or of brick, or of concrete hollow tile, or of a similar class of construction, and of such type and design as shall be approved by this Commission.

2. The defendant shall effect a separation of the passenger and freight facilities in the said city of Turlock.

3. The defendant shall, in connection with the construction of its new passenger depot, eliminate the crossing of Main street by its industry track, between the Lane-Hultberg Block and the Santos Block, and shall discontinue said track southeasterly from the northwesterly line of said Main street.

4. The defendant shall, in connection with the construction of said passenger depot, eliminate the crossing of Main street by its siding on the southwest side of its main line track, and shall move the southeasterly switch of said siding in a northwesterly direction, a distance of approximately three hundred and fifty (350) feet beyond the northwesterly line of Main street.

5. Applicant shall, within sixty (60) days from the service on it of this order, present to the Railroad Commission for its information satisfactory evidence that it has acquired or will acquire the small block of private property situate northeasterly from the Southern Pacific Company's main line track, bounded on the northeast by Front street and on the southwest by the Southern Pacific Company's right of way, and on the northwest by Main street and on the southeast by Crane avenue, this block to become the property of the city of Turlock, and to be parked in keeping with the improvements to be made by the Southern Pacific Company in the immediate vicinity of the proposed new passenger depot. The building of this depot, otherwise than the filing of the plans as heretofore ordered, is made contingent upon the city of Turlock purchasing the heretofore mentioned strip of land.

6. That portion of the applicant's petition praying that this Commission order the defendant to stop its train No. 50 at the city of Turlock is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of June, 1914.

## DECISION No. 1594.

IN THE MATTER OF THE APPLICATION OF TIDEWATER SOUTHERN RAILWAY COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF SIX HUNDRED THOUSAND SHARES OF COMMON STOCK AND SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS FACE VALUE OF BONDS.

---

Application No. 38.

*Decided June 18, 1914.*

---

## REPORT OF THE COMMISSION.

**ORDER EXTENDING TIME FOR ISSUE OF STOCK AND BONDS AND AUTHORIZING RENEWAL OF NOTES.**

Good cause appearing, it is hereby ordered that the time within which the authority to issue shares of stock and bonds heretofore given in the proceeding entitled as above may be exercised be and the same is hereby extended to and including June 30, 1915, and that Tidewater Southern Railway Company be, and the same is hereby authorized to issue its promissory notes in the aggregate amount of \$100,000.00 to take up outstanding notes in the same amount authorized under this Commission's supplemental order of June 21, 1913, and to issue as collateral security therefor bonds not to exceed the face value of \$2.00 as security for each \$1.00 borrowed, said bonds to be numbered 196 to 395, inclusive.

Tidewater Southern Railway Company shall report to the Commission the fact and the terms of the issue of said stock, bonds and notes, and shall in all respects, so far as applicable, comply with the conditions contained in this Commission's original and supplemental opinions and orders in the above entitled proceeding.

This order shall not become effective in so far as it affects the issue of promissory notes until applicant has paid the fee specified in section 57, as amended, of the Public Utilities Act.

Dated at San Francisco, California, this 18th day of June, 1914.

Decisions Nos. 1595, 1596, 1597, 1598, and 1599, grade crossings; not printed. See end of volume.

DECISION No. 1600.

QUINCY CHAMBER OF COMMERCE

v.s.

WESTERN UNION TELEGRAPH COMPANY.

Case No. 378.

*Decided June 22, 1914.*

Complainants alleging that the service of defendant in the town of Quincy was inadequate petitioned the Commission to compel defendant to establish an agent at that point, which, owing to the limited amount of business, the Commission did not deem advisable.

*Held*, That defendant has improved its facilities so as to adequately serve this town. Complaint dismissed.

REPORT OF THE COMMISSION.

SUPPLEMENTAL OPINION AND ORDER.

ESHLEMAN and LOVELAND, *Commissioners*.

The complaint in this case was filed on March 23, 1913, and thereafter a public hearing was held by the Commission in the town of Quincy on May 27, 1913. The complaint alleged that the defendant, Western Union Telegraph Company, had no office in Quincy, that the town was without telegraph service with the outside world except over the line of the California and Oregon Telegraph Company by way of Susanville and Reno, and that the people of Quincy were subjected to a double toll over that line to Reno and thence over the Western Union lines. The complaint prays that the defendant be required to establish an office in Quincy and to construct a line thence to Marston, a distance of approximately four or five miles, for connection at that point with the defendant's transcontinental lines.

The Quincy Western Railway Company operates a railroad between Quincy and Marston, and, in connection with this railroad, it also owned and operated a grounded telephone line between these points. Subsequent to the filing of this complaint, the defendant arranged with the railroad company to transmit telegrams by telephone between Quincy and Marston over this telephone line, these messages to be transferred at Marston to and from the Western Union lines to destination. The efficiency and adequacy of this service was attacked on the ground that it was subject to interruption and lack of privacy due to the presence of certain telephones which were connected at intermediate points to this line, and to the fact that the telephone in use for this purpose in the railway company's office in Quincy was located in an open room which was accessible to the public, and therefore without privacy.



The defendant admitted these allegations to be true, and agreed to install a sound-proof booth in the railway company's office at Quincy to insure privacy at that point, and, in conjunction with the railway company, to reconstruct the line between Quincy and Marston, but objected to maintaining a separate office in the town on the grounds that the available revenue was insufficient to justify the expense incidental to the operation of an independent agency.

In view of the facts disclosed at the hearing, it did not appear that the Western Union Telegraph Company should be required to establish an agency at this point, but it was apparent that the service should be improved. On June 5, 1913, the Commission rendered its decision permitting the defendant to make the improvements which it had volunteered to make and provided thereafter for an inspection to be made by the Commission, and if these improvements were found to be adequate and satisfactory the complaint should be dismissed; but, if not, that an order be entered requiring such improvements in addition to those voluntarily made as the Commission should find necessary.

On March 30, 1914, the defendant notified the Commission that the telephone line between Quincy and Marston had been reconstructed and removed from the highway, which it formerly occupied, to the railway company's right of way and that the railway company had reconstructed and enlarged its Quincy office, which latter improvement the defendant considers obviates the necessity for the installation of a sound-proof booth. The Commission is, therefore, asked to make the inspection and to dismiss the complaint.

An inspection was accordingly made by the Commission's telephone expert, and it was found that the telephone line referred to has been substantially rebuilt, and that by stringing an additional wire it has been converted into a metallic circuit. Service over this line is now free from interruption since the stations formerly connected between Quincy and Marston have been removed, and transmission is also satisfactory. It was also found that the railway company has provided a public waiting room, apart from that in which the telephone is located, and since the public no longer has access to the room from which messages are telephoned, privacy no longer requires that a booth be installed. It is also apparent that, as the railway company's agent acts also as agent for the telegraph company, it is possible to render better service to both companies without the use of a booth.

The complainant, however, has objected to a dismissal of the complaint, giving, as a reason for this objection, that a representative of the telegraph company had promised that telegraph instruments would be installed and used in place of the telephone in transmitting messages and that, therefore, it should be required either to do this or to place the booth. Notwithstanding this protest of complainant, it is not

apparent that adequacy of service requires the installation either of telegraph instruments or of a booth, but, on the contrary, it appears that the defendant, in conjunction with the railway company, having made these improvements, has done all that it can be reasonably required under the circumstances to do to meet present requirements.

The following order is, therefore, recommended:

**ORDER.**

Complaint having been filed with this Commission by the Quincy Chamber of Commerce of Quincy, Plumas County, California, complainant, versus Western Union Telegraph Company, a public utility corporation, defendant, alleging that the defendant company has no office in the town of Quincy; that the said town is without telegraph communication with the outside world save and except over the line of the California and Oregon Telegraph Company by way of Susanville and Reno, subjecting the people of Quincy to a double toll for telegraph service; that the defendant company has refused to construct and maintain a telegraph line into Quincy, and asking that the Commission take such steps as may be necessary to secure for the people of Quincy improved telegraph facilities; and a public hearing having been held thereon, and the defendant, Western Union Telegraph Company, having arranged with the Quincy Western Railway Company to transmit telegraph messages by telephone between Quincy and Marston, thereby bringing about a reduction of 50 per cent in the rate theretofore charged for telegraph service; and certain other improvements having been made in the telephone line between Quincy and Marston and in the railway company's office at Quincy, as more specifically referred to in the opinion accompanying this order; and an inspection having been made as provided in the Commission's Decision No. 702 heretofore rendered on June 5, 1913; and the improvements herein referred to having been found to be adequate and satisfactory,

*It is hereby ordered* that the complaint herein be and it hereby is dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of June, 1914.

## DECISION No. 1601.

GEM CITY PACKING COMPANY

vs.

SAN JOSE WATER COMPANY.

Case No. 489.

*Decided June 22, 1914.*

Complainants petitioned the Commission to compel defendant to build an extension from its present system in the town of Los Gatos to the packing plant of complainant. Owing to distance of proposed extension, Commission directs parties interested to agree upon a division of cost, which they are unable to do.

*Held*, Defendant directed to construct an extension to a point 2,000 feet beyond the corporate limits of Los Gatos and install a meter and service connection for complainant, such installation to be ready for service on or before July 15, 1914.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL OPINION.

*ESHLEMAN, Commissioner.*

In its opinion rendered April 11, 1914, this Commission suggested that the complainant and defendant in the above entitled matter provide plans for a pipe line from the San Jose Water Company's present facilities within the town of Los Gatos to the packing-house of the Gem City Packing Company, suitable to serve the needs of the complainant, and to submit estimates as to the cost of the same. The belief was expressed in this opinion that the present complaint should be settled between the parties themselves, particularly as the San Jose Water Company admits it has a plentiful supply of water which it desires to sell, and as it is very much to the interest of the Gem City Packing Company to obtain an adequate and constant supply for its particular needs.

The statement and estimate presented by the complainant listed twenty-five hundred and thirty-eight (2538) feet of two-inch (2") iron pipe and sixty-six hundred and ninety-four (6694) feet of one and one quarter inch (1 $\frac{1}{4}$ ") iron pipe, which was estimated to cost altogether seven hundred and five and 62/100 (\$705.62) dollars. The parallel statement and estimate of the defendant company alleges that the length of pipe required is ten thousand and ninety-two feet (10,092), that no greater size than one inch (1") is needed for the uses of this complainant, and that the total cost would be six hundred and fifty-four and 60/100 (\$654.60) dollars. Both estimates for the extension appeared to be considerably below the probable cost by comparison with known actual cost of such pipe line extensions under similar conditions.

It has been ascertained from the officials of the defendant company that whatever the requirement, they would not of their own choice lay

a pipe extension of smaller size than two inch (2"). The complainant has on hand some certain amount of one and one quarter inch (1¼") iron pipe, and should he be required to lay any part of this extension himself, will use this pipe.

In view of the amount of water to be used by the complainant, it seems reasonable that the San Jose Water Company should provide a sufficient part of this extension to cover an investment equal to about one half the entire initial expense for transmitting water from its mains to the plant of the Gem City Packing Company. It is my belief that this end will be reached should the defendant company be required to extend its mains to a point along the county road now followed by the pipe line belonging to Santa Clara County and through which the complainant in the past received its supply from the San Jose Water Company, to a point two thousand feet distant from the corporate limits of the city of Los Gatos, this pipe to be of two-inch (2") pipe or of larger size, at the option of the company; and that a connection and meter be provided at the end of this main to serve the complainant.

I submit the following order:

**ORDER.**

The Gem City Packing Company having made complaint to the Commission that the San Jose Water Company had failed and refused to supply water for use at the plant of the Gem City Packing Company since July 1, 1913, and having therefore asked that the defendant be compelled to furnish and supply water to complainant in the same amounts as had been supplied prior to July 1, 1913, and in the same manner and extent that the defendant herein supplied other persons and corporations similarly situated,

*It is hereby ordered* that the San Jose Water Company extend a main along the county road which is followed by the pipe line belonging to Santa Clara County, and through which the Gem City Packing Company originally obtained its supply, to a point two thousand (2,000) feet from the corporate limits of Los Gatos, and at that point provide meter and connection for the service of the aforesaid complainant company.

*It is further ordered* that the San Jose Water Company proceed with this installation and complete the same in such manner as to be able to provide water for the use of the complainant, the Gem City Packing Company, on or before July 15, 1914.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of June, 1914.

## DECISION No. 1602.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR AUTHORITY TO CANCEL RATES ON SAND, IN CARLOAD LOTS, FROM ALL POINTS ON THE IONE BRANCH TO ALL OTHER POINTS ON ITS LINE IN CALIFORNIA, SHOWN IN SOUTHERN PACIFIC COMPANY'S TARIFF No. 335-B, C. R. C. 43, AND AS SUPPLEMENTED.

---

Application No. 1088.

*Decided June 22, 1914.*

---

Application of the Southern Pacific Company for permission to cancel its present commodity rate applying on shipments of sand from Ione to various points in California, on the ground that there are no movements of this commodity at the present time, and it appearing that there are such movements, application denied.

*Geo. D. Squires*, for Applicant.

*Seth Mann*, for San Francisco Chamber of Commerce.

*John L. McNab*, for N. Clark & Sons.

*A. D. Shepard*, for Pacific Improvement Company.

*Alfred J. Harwood*, for Steiger Terra Cotta and Pottery Works.

*G. J. Bradley*, for Merchants and Manufacturers' Association, of Sacramento.

*C. F. Wents*, for Livermore Fire Brick Company.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

On January 22, 1914, the Southern Pacific Company filed its application for authority to cancel the carload commodity rates on sand, applying from all points on its Ione Branch to other points on its line in California, as shown in Southern Pacific Company's Tariff No. 335-B, C. R. C. No. 43, and as amended. In justification of the cancellation of these rates the applicant alleges that there is no movement of sand from points on the Ione Branch and therefore there is no necessity for maintaining the rates.

The Steiger Terra Cotta and Pottery Works and the Ione Coal and Iron Company filed protests against the cancellation of these rates, maintaining that there is a movement of sand on these rates at the present time. At the hearing N. Clark & Sons and the Livermore Fire Brick Company also protested against the cancellation of the rates. The reasonableness of the present carload rates on sand from points on the Ione Branch to San Francisco and South San Francisco was also

questioned by the protest of the Steiger Terra Cotta and Pottery Works, but if it is desired to put that matter in issue an original complaint should be filed and the matter regularly placed before the Commission. The reasonableness of the present rates, therefore, will not be considered, but the single question as to whether there is any sand moving on the rates the applicant seeks to cancel.

As the effect of the cancellation of these commodity rates would be to bring about an increase in the rates, provided for the movement of sand from points on the Ione Branch, under the provisions of the Public Utilities Act, the burden of justifying the proposed increases is upon the carrier.

At the hearing considerable evidence was introduced concerning the nature of the materials now being shipped from various so-called "clay pits" and "sand pits" on the Ione Branch, and witnesses, experts in the composition of these materials, were introduced by both the applicant and the protestants for the purpose of scientifically determining their proper classification, and while there is no evidence that these experts differ in their opinions as to the elemental or the mechanical structure of these materials, there appears to be a wide divergence in their views as to the proper classification for transportation purposes of some of the materials now being shipped.

The applicant's geologist, upon whose opinion it mainly relies to support its contention that the materials now being shipped from points on the Ione Branch are properly classified as clay, submitted samples from practically all the producing pits and testified that the materials represented by these samples, which were marked Exhibits Nos. 1 to 14, inclusive, should be classified as clays or sandy clays, with the exception of the materials represented by the samples marked Exhibits Nos. 2 and 12, of which there is at the present time no movement. This opinion was largely based upon the fact that the materials, other than those represented by Exhibits Nos. 2 and 12, were used with other materials, in the manufacture of clay products.

The expert introduced by the protestants testified that the materials represented by the samples submitted by him, and marked Nos. 1, 5, and 8, should be classified as sand for the reason that sand predominates in their mechanical structure. It appears that these samples are from the same pits as samples introduced by the applicant and which the applicant's witness testified should be classified as clay. There is, however, no issue raised as to the classification of the material represented by the samples marked Applicant's Exhibit No. 12, both the applicant and the protestants agreeing that this material is washed sand. Although there is no movement of this sand at the present time its owner testified that he has on hand at his plant near Ione some 3,000 tons awaiting shipment until the determination of this matter, and that

no shipments are now being made because he did not want to contract to deliver the sand until the controversy concerning the rate on which it will move, and which is an important factor in marketing such a low grade commodity, is finally settled. It was also shown by protestants that shipments of a material classified as sand, to which classification the petitioner has taken no exception, are now being made from a pit near Ione to Livermore, to the Livermore Fire Brick Company.

From all the evidence I am of the opinion that the allegation of the applicant that there is no sand moving from points on the Ione Branch is not sustained by the evidence, and for that reason the application should be denied, and I am also of the opinion that the probable large movement of sand from the plant of the Clay Products Company near Ione is another reason why the application should not be granted.

I find as a fact therefore that the Southern Pacific Company has failed to justify its application for authority to cancel the carload commodity rates on sand from points on the Ione Branch to other points on its line in California, and I recommend that the application be denied and that it be so ordered.

I submit the following form of order:

**ORDER.**

The Southern Pacific Company having applied to this Commission for authority to cancel the carload commodity rates on sand from points on its Ione Branch to other points on its line in California and a hearing having been held and being fully apprised in the premises; the Commission hereby finds as a fact that the Southern Pacific Company has not justified its application for authority to cancel the carload commodity rates on sand from points on the Ione Branch to other points on its line in California; and basing its order on the foregoing finding of fact and the findings of fact in the opinion preceding this order,

*It is hereby ordered*, by the Railroad Commission of the State of California, that the application be and the same is hereby denied.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 22d day of June, 1914.

## DECISION No. 1603.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF THE SOUTH SAN FRANCISCO BELT RAIL-  
WAY.

---

Case No. 194.*Decided June 22, 1914.*

---

Proceedings on motion of Commission to ascertain various elements entering into the value of respondent's property. Findings made as to facts, but not on the question of the value of the property irrespective of the purposes for which the value is ascertained. Terms defined.

*Findings of fact:* (1) That the reproduction value of the operative physical property of respondent as of June 30, 1913, is the sum of \$69,064.42; (2) That the present value of the operative physical property of respondent as of June 30, 1913, is the sum of \$56,208.08.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is one of the so-called valuation cases brought on the Commission's own initiative for the purpose of ascertaining certain elements entering into the value of the property of the South San Francisco Belt Railway. Findings of fact only are made, and it is not attempted to pass on the question of the ultimate value of this property, irrespective of the purpose for which this value is to be ascertained. Certain terms which are used in this opinion will first be defined.

The term "original cost" means the original book cost, and is defined as the actual expenditures chargeable to capital account, in accordance with the Interstate Commerce Commission's or this Commission's classifications, in cash or its equivalent in terms of cash, by the public utility for its operative property in the State of California, as of the date of the valuation.

The term "reproduction value" means the reproduction cost, and is defined as the estimated cost in cash of acquiring the operative right of way and other operative real estate and of reproducing, in the condition in which it was acquired, the other physical property of the public utility in the State of California, as of the date of valuation; to which are added overhead expenditures for engineering, law, interest, and commissions, and other similar items.

The term "present value" is defined as the "reproduction cost" less the diminution in the value of the physical elements of the property, due to use, age, obsolescence, inadequacy, or other causes, this diminution being called "depreciation," and plus the increase in the value of the physical elements of the property, due to age or other causes,



this increase being called "appreciation." "Present value" might be defined as "depreciated and appreciated reproduction cost."

In accordance with this Commission's order dated March 11, 1912, the South San Francisco Belt Railway on July 5, 1912, filed with the Commission an inventory of its property, together with an estimate of the reproduction value and present value, the final summary sheet of which is attached to this decision and marked "Exhibit A."

On March 3, 1914, this Commission's engineering department submitted its detailed report in the above proceeding, and a copy of the final summary sheet, as presented on said date, is attached hereto and marked "Exhibit B." A complete copy of this report had been transmitted to the company prior to the last mentioned date.

A hearing was held in this case on April 10, 1914. At this hearing only one objection was made to the engineering department's report by the representatives of the company. This objection was directed not against the findings of values, but against the statement of mileage as shown by the Commission's engineers.

Further investigation made subsequent to the hearing by the Commission's engineers into the company's claims resulted in the preparation of a revised statement of reproduction value and present value, the final summary sheet of which is also attached to the opinion and marked "Exhibit C." The company is satisfied with this revised report and the case is now ready for decision.

#### 1. Organization, Construction and Operation.

The South San Francisco Belt Railway was incorporated on November 20, 1907, under the laws of the State of California, for the purpose of purchasing from the Western Meat Company the road operated by that company, extending from the main line of the Southern Pacific Company at South San Francisco to and beyond the Western Meat Company's plant at San Bruno Point. This road was constructed in 1891 by the South San Francisco Land and Improvement Company as part of a real estate scheme, and with a view of making certain South San Francisco property and a section along the water front accessible as a factory site. At the same time a packing-house was built by this company near the end of the line. In 1903 the Western Meat Company was incorporated and took control of the packing-house. The latter also leased the railroad at a rental of \$2,000.00 per year, or about 3 per cent of the book cost to the South San Francisco Land and Improvement Company. On March 1, 1907, the Western Meat Company purchased the railroad for \$67,104.86, the amount shown on the books of the South San Francisco Land and Improvement Company. The present company, on the day of organization, November 20, 1907, acquired from the Western Meat Company, all properties then existing and used in the operation of the belt railway, except the land upon

which the road is situated. This latter transfer was simply a book transaction, and merely resulted in a change of corporate name.

No physical difficulties of any kind were encountered in the construction of this road, and the roadbed, with but one exception, is made up of shallow cuts and fills, while alignment, wherever possible, follows the contour of the ground.

This road does a switching business exclusively and owns no passenger or freight cars. Two locomotives constitute its entire equipment. These switch cars from the various manufacturing plants on the line to the main line of the Southern Pacific Company, and the road is therefore of vital importance to the successful operation of these factories.

## 2. Stocks and Bonds.

The last annual report submitted to the Commission by this company is for the year ending June 30, 1913. The total authorized capital stock (all common) amounts to 500 shares of the par value of \$100.00 each, or a total capitalization of \$50,000.00, all of which is outstanding.

There is no funded debt in the shape of bonds. The only other evidence of indebtedness is a series of notes issued by the South San Francisco Land and Improvement Company to the total amount of \$31,104.86. This amount represents the latter company's interest in the road. The Company's balance sheet shows "other working liabilities" amounting to \$981.68, resulting in a total indebtedness of \$32,086.54.

The road is controlled by the South San Francisco Land and Improvement Company. The value of its stock can not be determined. The road is operated to pay expenses, and the switching charges made against the allied manufacturing plants served by the railroad are made sufficiently large to cover operating costs and other charges. The company has never paid a dividend.

## 3. Revenues and Expenses.

The only source of revenue derived from this road, as stated before, is from switching done for the Western Meat Company and a few other manufacturing plants served by this line.

The statement of revenues and expenses for the year ending June 30, 1913, appears in the company's annual report as follows:

OPERATING REVENUES.	
Switching revenue -----	\$16,356 30
Revenue from other than transportation -----	1,291 00
Total operating revenues -----	\$17,647 30
OPERATING EXPENSES.	
Maintenance of way and structures -----	5,769 88
Maintenance of equipment -----	1,949 94
Transportation expenses -----	6,405 75
General expenses -----	5,299 76
Total operating expenses -----	\$19,425 33

It will be noted that this total results in a net operating deficit for the year ending June 30, 1913, of \$1,778.03, and an operating ratio of 110 per cent. I also wish to call attention to the very large proportion that general expenses bear to the total of operating expenses.

Owing to the nature of the business done by this company and to the fact that it owns no freight or passenger cars, no traffic statistics are available.

#### 4. Original Cost.

Authentic original cost data could not be ascertained with any degree of accuracy and in accordance with the definition given heretofore. The total book cost to the South San Francisco Land and Improvement Company at the time the road was sold to the Western Meat Company, as stated above, amounted to \$67,104.86. Since that time investments for additions and betterments have been made to the amount of \$21,916.85, which, together with the book cost, results in a total of \$89,021.71. This amount is shown in the last annual report as the total investment for road and equipment. It should be noted that this figure is considerably in excess of the engineering department's final estimate for reproduction value, as shown in "Exhibit C." The company in its appraisal has estimated original cost. This figure is of no value and no original cost statement was prepared by the engineering department.

#### 5. Reproduction Value.

To avoid misleading comparisons it should be stated in the beginning that in the total under Account No. 8, Rails, the company's statement shows an arithmetical error of \$18,522.00, which explains its erroneous reproduction value estimate of \$62,791.40 (see "Exhibit A"). The correct figures should be \$81,313.40.

The reproduction value, as estimated in the Commission's engineering department's original valuation report (see "Exhibit B") is \$66,292.05. It will be shown hereafter that certain adjustments were made subsequent to the hearing in this case, and that a revised total for reproduction value was ascertained. This revised reproduction value for the entire line, as shown in "Exhibit C," aggregates \$69,064.42. This figure is lower than the corresponding amount, as estimated by the company, by \$12,248.98.

At the hearing on April 10, 1914, the South San Francisco Belt Railway agreed to accept the valuation made by the Commission's engineering department with the exception of the mileage, which is shown to be 2.718 miles. The company claimed that the total length of all track is 3.03 miles.

This question of mileage is simply a question of fact, and a further investigation and remeasurement of the track was made, with the result

that the mileage in both appraisals was found to be in error. I will say that this discrepancy was not due to the errors of the engineers, but to the confused claims and records with reference to the actual ownership of certain tracks. The corrected total mileage as ascertained by the Commission's engineering department subsequent to the hearing, and as accepted by the company, is 3.08 miles, or an increase over the engineering department's previous mileage of .36 miles and of .05 miles over that shown by the company. This increase in mileage affects five accounts in the inventory and appraisal and also the usual overhead expenses, and the adjustments made in each account are summarized as follows:

## INCREASED UNDER REPRODUCTION VALUE.

Ties -----	\$486 72
Rails -----	1,330 20
Track fastenings -----	140 44
Ballast -----	285 07
Track laying and surfacing -----	284 57
Engineering, 5 per cent on \$2,527.00 -----	126 35
Law expenses, 1 per cent on \$2,527.00 -----	25 27
Interest and commissions, 3 per cent on \$2,678.62 -----	80 36
Other expenditures, $\frac{1}{4}$ per cent on \$2,678.62 -----	13 39
Total increase -----	<u>\$2,772 37</u>

After a careful consideration of all the evidence in this case bearing on the matter of reproduction value, including supplemental investigation, in line with the testimony developed at the hearing, I find the reproduction value, as that term is herein defined, of the operative property of the South San Francisco Belt Railway, as of June 30, 1913, to be the sum of \$69,064.42.

**6. Present Value.**

The error made by the company in Account No. 8 of its appraisal is also reflected in the same account under this heading, and the difference here is \$9,261.00, which, added to the total, gives a present value for the company's estimate of \$56,547.06 (see "Exhibit A").

In the original valuation made by the Commission's engineering department the present value of the company's property was estimated to be \$54,454.11. The revision made under the heading reproduction value, however, necessitates a revision of the present value also. The

adjustments made in the several accounts under this heading are summarized as follows:

## INCREASES UNDER PRESENT VALUE.

Ties -----	\$243 36
Rails -----	752 00
Track fastenings -----	57 39
Ballast -----	285 07
Track laying and surfacing -----	170 78
Engineering, 100 per cent of reproduction value -----	126 35
Law expenses, 100 per cent of reproduction value -----	25 27
Interest and commissions -----	80 36
Other expenditures -----	13 39
<hr/>	
Total increase -----	\$1,753 97

With the above increase added to the engineering department's original total under this heading, I find that the present value, as hereinbefore defined, of the operative property of the South San Francisco Belt Railway, in the State of California, as of June 30, 1913, is the sum of \$56,208.08.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of California.

Dated at San Francisco, California, this 22d day of June, 1914.

## EXHIBIT "A."

Name of owner, South San Francisco Belt Railway, operating company, same; from San Francisco to South San Francisco, miles main line track, 3 and siding, total, 5 miles  
Company field inspector and office compiler.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds				
2	2	3	Real estate				
3	3	4	Grading	\$16,078 50	\$16,078 50		\$16,078 50
4	4	5	Tunnels				
5	5	6	Steel bridges and trusses				
6	6	6	Pile and frame trestles				
7	7	6	Culverts				
8	8	7	Ties	6,313 05	6,313 05		1,800 00
9	9	8	Rails	2,058 00	2,058 00		1,029 00
10	10	9	Frogs and switches	1,087 50	1,087 50		1,087 50
11	11	10	Track fastenings and other material	1,109 95	1,109 95		1,109 95
12	12	11	Ballast	4,500 00	4,500 00		1,500 00
13	13	12	Tracklaying and surfacing	4,500 00	4,500 00		1,500 00
14	14	13	Roadway tools	112 50	112 50		56 25
15	15	14	Fencing right of way				
16	16	15	Crossings and signs				
17	17	16	Interlocking plants				
18	18	16	Signal apparatus				
19	19	17	Telegraph and telephone lines				
20	20	18	Station buildings and fixtures				
21	21	18	Platforms, walks, paving and curb				
22	22	19	General office buildings and fixtures				
23	23	20	Shop buildings and engine houses	1,400 00	1,400 00		800 02
24	24	20	Transfer and turntables, cinder pits, etc.				
25	25	20	Miscellaneous shop buildings and structures				
26	26	21	Shop machinery and tools				
27	27	22	Water stations				
28	28	23	Fuel stations				
29	29	24	Grain elevators				
30	30	25	Storage warehouses				
31	31	26	Dock and wharf property				
32	32	27	Electric light plants				
33	33	28	Electric power plants				
34	34	29	Electric power transmission				
35	35	30	Gas producing plants				
36	36	31	Miscellaneous structures				
37	---	1	Total classes 1 to 36, inclusive	\$37,150 50	\$37,150 50		\$24,962 12
38	37	32	Engineering, -- per cent, 1 to 36, inclusive				
39	38	33	Transportation of men and material				
40	38	34	Rent of equipment	245 79	245 79		245 79
41	---	35	Repairs of equipment				
42	---	35	Earning and operating expenses during construction				
43	---	36	Injuries to persons				
44	---	37	Cost of road purchased				
45	39	37	Total classes 1 to 43, inclusive	\$37,404 29	\$37,404 29		\$25,207 91
46	---	38	Steam locomotives	18,307 96	18,307 96		15,000 00
47	40	39	Electric locomotives				
48	41	40	Passenger train cars				
49	42	41	Freight train cars				
50	45	42	Work equipment				
51	---	43	Floating equipment				
52	---	43	Total classes 1 to 49, inclusive	\$55,713 25	\$55,713 25		\$40,207 91
53	44	44	Law expenses, -- per cent, classes 1 to 36, inclusive				
54	44	44	Stationery and printing	25 00	25 00		25 00
55	45	45	Insurance	53 15	53 15		53 15
56	---	46	Taxes	7,000 00	7,000 00		7,000 00
57	---	47	Total classes 1 to 53, inclusive	62,791 40	62,791 40		47,296 06
58	45	48	Interest and commission, -- per cent, classes 1 to 53, inclusive				
59	---	49	Other expenditures				
60	---	50	Contingencies, -- per cent, classes 1 to 53, inclusive				
61	46	---	Stores and supplies on hand for use in California				
62	---	---	Grand total	\$62,791 40	\$62,791 40		\$47,296 06

\*Note by Commission's Engineering Department. Figures are in error. The correct figures are: Reproduction value, \$81,313.46; present value, \$56,547.06.

## EXHIBIT "B."

Owning company, South San Francisco Belt Railway; operating company, same; operating division, entire line. valuation unit, 1,506; county, San Mateo.

Submitted with report of Gibson Berry; date compiled, September, 1913; line first track, 1,506 miles; yard tracks, sidings, etc., 1,212 miles; total, 2,718 miles.

Class No.	Form No.	I. C. C. Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	---	1	Engineering, 5 per cent of classes 3 to 36.		\$2,122 61	100	\$2,122 61
1	1	2	Right of way and station grounds.				
2	2	3	Real estate.				
3	3	4	Grading.		16,882 42	110	18,570 67
4	4	5	Tunnels.				
5	5	6	Steel bridges and trusses.				
6	6	6	Pile and frame trestles.				
7	7	6	Culverts.		1,174 03	52	607 62
8	8	7	Ties.		4,002 21	50	2,001 10
9	9	8	Rails.		10,418 06	50	6,170 78
10	10	9	Frogs and switches.		1,703 80	40	681 56
11	11	10	Track fastenings and other material.		1,606 67	64	1,026 23
12	12	11	Ballast.		2,140 43	50	2,140 43
13	13	12	Tracklaying and surfacing.		2,852 80	60	1,711 69
14	14	13	Roadway tools.		115 31	50	57 65
15	15	14	Fencing right of way.				
16	16	15	Crossings and signs.				
17	17	16	Interlocking plants.				
18	18	16	Signal apparatus.				
19	19	17	Telegraph and telephone lines.				
20	20	18	Station buildings and fixtures.				
21	21	18	Platforms, walks, paving and curb.				
22	22	19	General office buildings and fixtures.				
23	23	20	Shop buildings and engine houses.		1,403 84	66	930 19
24	24	20	Transfer and turntables, cinder pits, etc.				
25	25	20	Miscellaneous shop buildings and structures.				
26	26	21	Shop machinery and tools.				
27	27	22	Water stations.				
28	28	23	Fuel stations.				
29	29	24	Grain elevators.				
30	30	25	Storage warehouses.				
31	31	26	Dock and wharf property.				
32	32	27	Electric light plants.				
33	33	28	Electric power plants.				
34	34	29	Electric power transmission.				
35	35	30	Gas producing plants.				
36	36	31	Miscellaneous structures.				
38	38	32	Transportation of men and material.				
39	39	33	Rent of equipment.				
40	40	34	Repairs of equipment.				
41	---	35	Earning and operating expenses during construction.				
42	---	35	Injuries to persons.				
43	---	36	Cost of road purchased.				
44	39	37	Steam locomotives.		18,231 00	82	14,858 00
45	---	38	Electric locomotives.				
46	40	39	Passenger train cars.				
47	41	40	Freight train cars.				
48	42	41	Work equipment.				
49	43	42	Floating equipment.				
50	---	43	Law expenses, 1 per cent of classes 3 to 36.		424 52	100	424 52
51	44	44	Stationery and printing.				
52	44	45	Insurance.				
53	45	46	Taxes.				
54	---	47	Interest and commission, 3 per cent of 1 to 53.		1,896 91	100	1,896 91
55	45	48	Other expenditures, $\frac{1}{2}$ of 1 per cent, classes 1 to 53.		316 15	100	316 15
57	46	---	Stores and supplies on hand for use in California.		848 60	100	848 60
			Grand total.		\$1,292 05	82	\$54,454 11
			Average per mile for main track.		44,018 03	82	36,158 11
			Totals for "Road"—I. C. C. accounts 1 to 36, inclusive.		44,574 87		36,109 55
			Totals for "Equipment"—I. C. C. accounts 37 to 42, inclusive.		18,231 00		14,858 00
			Totals for "General Expenditures", I. C. C. accounts 43 to 48, inclusive.		3,486 18		3,486 18
			Grand totals.		66,292 05		54,454 11

## EXHIBIT "C."

Owning company, South San Francisco Belt Railway; operating company, same; valuation unit, entire line at South San Francisco; county, San Mateo.  
Submitted with report of A. C. Wells, junior engineer; date compiled, May, 1914; line first track, 1.43 miles; yard tracks, sidings, etc., 1.65 miles; total, 3.08 miles.

Class No.	Form No.	I. C. C. Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	1	1	Engineering, 5 per cent of 3 to 36.		\$2,248 96	100	\$2,248 96
1	1	2	Right of way and station grounds.				
2	2	3	Real estate.				
3	3	4	Grading.		16,882 42	110	18,570 67
4	4	5	Tunnels.				
5	5	6	Steel bridges and trusses.				
6	6	6	Pile and frame trestles.				
7	7	6	Culverts.		1,174 03	52	607 02
8	8	7	Ties.		4,548 93	50	2,274 46
9	9	8	Rails.		11,748 86	59	6,922 78
10	10	9	Frogs and switches.		1,703 89	40	681 56
11	11	10	Track fastenings and other material.		1,839 11	62	1,143 62
12	12	11	Ballast.		2,425 50	50	2,425 50
13	13	12	Tracklaying and surfacing.		3,137 37	60	1,882 47
14	14	13	Roadway tools.		115 31	50	57 65
15	15	14	Fencing right of way.				
16	16	15	Crossings and signs.				
17	17	16	Interlocking plants.				
18	18	16	Signal apparatus.				
19	19	17	Telegraph and telephone lines.				
20	20	18	Station buildings and fixtures.				
21	21	18	Platforms, walks, paving and curb.				
22	22	19	General office buildings and fixtures.				
23	23	20	Shop buildings and engine houses.		1,403 84	50	930 19
24	24	20	Transfer and turntables, cinder pits, etc.				
25	25	20	Miscellaneous shop buildings and structures.				
26	26	21	Shop machinery and tools.				
27	27	22	Water stations.				
28	28	23	Fuel stations.				
29	29	24	Grain elevators.				
30	30	25	Storage warehouses.				
31	31	26	Dock and wharf property.				
32	32	27	Electric light plants.				
33	33	28	Electric power plants.				
34	34	29	Electric power transmission.				
35	35	30	Gas producing plants.				
36	36	31	Miscellaneous structures.				
37	37	32	Transportation of men and material.				
38	38	33	Rent of equipment.				
39	39	34	Repairs of equipment.				
40	40	35	Earning and operating expenses during construction.				
41	41	35	Injuries to persons.				
42	42	36	Cost of road purchased.				
43	43	37	Steam locomotives.		18,231 00	82	14,858 00
44	44	38	Electric locomotives.				
45	45	39	Passenger train cars.				
46	46	40	Freight train cars.				
47	47	41	Work equipment.				
48	48	42	Floating equipment.				
49	49	43	Law expenses, 1 per cent, 3 to 36.		449 79	100	449 79
50	50	44	Stationery and printing.				
51	51	44	Insurance.				
52	52	45	Taxes.				
53	53	46	Interest and commission, 3 per cent of 3 to 53.		1,977 27	100	1,977 27
54	54	47	Other expenditures, $\frac{1}{2}$ of 1 per cent, 3 to 53.		329 54	100	329 54
55	55	48	Stores and supplies on hand for use in California.		848 60	100	848 60
56	56	49	Grand total.		\$69,064 42		\$59,208 03
57	57	50	Average per mile for main track.		48,246 80		39,306 35
		51	Total for "Road"—Accounts 1 to 36.		47,228 23		37,744 88
		52	Total for "Equipment"—Accounts 37 to 42.		18,231 00		14,858 00
		53	Total for "General Expenditures"—Accounts 43 to 48.		2,756 60		2,756 60



## DECISION No. 1604.

## IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS FOR AUTHORITY TO ISSUE PROMISSORY NOTES AND BONDS.

Application No. 990.

## IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS FOR AUTHORITY TO ISSUE BONDS.

Application No. 1152.

*Decided June 23, 1914.*

San Francisco-Oakland Terminal Railways having two applications pending before the Commission upon which the Commission does not desire to finally act until its valuation of applicant's physical property has been completed, which will probably take an additional sixty days, and applicant desiring to execute notes in a sum sufficient to meet certain pressing indebtedness:

*Held*, San Francisco-Oakland Terminal Railways authorized to execute its one-year seven per cent notes of the face value of \$650,000.00, and to issue and pledge its bonds of the face value of \$1,000,000.00 as security therefor, provided said notes shall be sold to parties interested in applicant only, proceeds to be used partly to refund treasury for moneys expended, which reimbursements shall be used to pay taxes and interest upon outstanding bonds and notes and the balance in part payment of new ferry boats and street cars.

## REPORT OF THE COMMISSION.

## PRELIMINARY OPINION.

*ESHLEMAN, Commissioner.*

In Application No. 990 San Francisco-Oakland Terminal Railways petitioned this Commission for authority to issue one million dollars (\$1,000,000.00) of general lien bonds and to pledge them, together with other collateral already pledged, as security for an issue of outstanding notes, and for authority also to issue an additional five hundred thousand dollars (\$500,000.00) of notes upon the collateral so pledged.

In Application No. 1152 San Francisco-Oakland Terminal Railways asked this Commission for authority to issue ten million dollars (\$10,000,000.00) of its proposed first and refunding bonds. These applications are now pending before this Commission.

In view of the fact that the physical valuation of this property now under way may consume an additional sixty days, it has been represented to this Commission that pending the determination of this issue thus presented, certain pressing obligations must be met. It is stated in behalf of applicant that it desires to be reimbursed for moneys expended from income for the purpose of paying the July interest in the sum of three hundred and fifty thousand dollars (\$350,000.00); its taxes in the sum of one hundred and forty thousand dollars (\$140,000.00), and for making the necessary preliminary payments for the acquisition

of a new ferry boat and new street cars. The first of these payments on the ferryboat will be sixty thousand dollars (\$60,000.00) and the initial payment on the street cars will be one hundred thousand dollars (\$100,000.00). Applicant represents, therefore, that it is in need of approximately six hundred and fifty thousand dollars (\$650,000.00).

It is, of course, necessary that the applicant pay its taxes and its bond interest, and it is clear that steps should be taken at this time to obtain the new street cars for use in the city of Oakland and the additional floating equipment to be used for carrying passengers from Oakland to the exposition grounds at San Francisco during the year 1915. Applicant may raise this money by issuing its notes secured by a pledge of its proposed general lien bonds.

I believe the circumstances warrant this Commission in granting this preliminary authority at this time. I recommend that the authority be granted to the applicant to issue its notes secured by a pledge of its bonds upon the condition that these notes be taken by persons in direct interest in this corporation, who shall be fully advised of all of the circumstances surrounding this applicant and who shall agree to hold said notes and said collateral until the maturity of these notes or until they shall have been refunded. This reservation I regard as necessary by reason of the fact that in authorizing this issue of notes, this Commission desires at this time merely to preserve this company in the best possible operating condition, and in no way directly or indirectly commits itself to a favorable determination of either of the two applications now before it. The parties in interest who may take these notes must do so with this understanding.

I recommend the following form of preliminary order:

**PRELIMINARY ORDER.**

San Francisco-Oakland Terminal Railways having made application to this Commission, as heretofore stated in the above opinion, and a hearing having been held,

*It is hereby ordered* that San Francisco-Oakland Terminal Railways be given authority and it is hereby given authority to issue its promissory notes for a period not to exceed one (1) year in a sum not to exceed six hundred and fifty thousand dollars (\$650,000.00);

*It is hereby further ordered* that San Francisco-Oakland Terminal Railways be given authority and it is hereby given authority to issue one million dollars (\$1,000,000.00) of its general lien bonds as collateral security for said issue of notes in the sum of six hundred and fifty thousand dollars (\$650,000.00). Said bonds to be issued under applicant's general lien mortgage, a copy of which has been filed with this Commission in connection with Application No. 990.

The authority herein given is given upon the following conditions and not otherwise:

1. The face value of the notes issued under the authority herein

granted shall at no time be less than sixty-six and two thirds per cent (66  $\frac{2}{3}\%$ ) of the face value of the bonds pledged as collateral.

2. The notes herein authorized to be issued shall mature in a period not to exceed one (1) year from date of issue and shall bear interest at a rate not to exceed seven per cent (7%) per annum.

3. Said notes shall be sold so as to net the applicant herein the face value thereof plus accrued interest thereon.

4. The proceeds to be derived from said notes shall be used for the following purposes only:

(a) For the reimbursement of applicant for moneys expended from income, and after such reimbursement to be used for the purpose of paying interest on applicant's outstanding bonds and notes in the sum of-----	\$350,000 00
(b) For the reimbursement of applicant for moneys expended from income, and after such reimbursement to be used by applicant only for the purpose of discharging its taxes in the sum of-----	140,000 00
(c) For the purpose of making preliminary payments on a ferryboat to be used for carrying passengers between Oakland and the Panama-Pacific Exposition grounds in San Francisco, the sum of	60,000 00
(d) For the purpose of making preliminary payments on new street cars to be used in the city of Oakland, the sum of-----	100,000 00
Total -----	\$650,000 00

5. The notes herein authorized to be issued shall be sold only to parties in interest in the applicant herein and who shall agree to hold said notes until maturity.

6. Applicant shall file with this Commission a list of persons who may purchase said notes together with a statement of their connection with the applicant corporation; the amounts purchased by each, and a copy of the agreements by which these purchasers agreed to hold said notes until maturity.

7. When the notes herein authorized shall have been paid or otherwise discharged, the bonds herein authorized to be pledged shall be returned to the applicant's treasury and not thereafter issued without the approval of this Commission.

8. Applicant herein shall report to this Commission on the twenty-fifth day of each month, a list of the notes issued; the parties to whom issued, and the specific purposes to which the money derived from the sale of said notes has been devoted.

9. The authority herein granted shall apply to such notes and such bonds as shall have been issued on or before October 1, 1914.

10. The authority herein granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act.

The foregoing preliminary opinion and order are hereby approved and ordered filed as the preliminary opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23d day of June, 1914.

Decisions Nos. 1605, 1606, and 1607, grade crossings; not printed. See end of volume.

DECISION No. 1608.

IN THE MATTER OF THE APPLICATION OF NEVADA-CALIFORNIA-OREGON RAILWAY FOR EXEMPTION FROM THE PROVISIONS OF THE HEADLIGHT LAW OF CALIFORNIA, STATUTES OF 1913, PAGE 522.

Application No. 1066.

*Decided June 24, 1914.*

Application of the Nevada-California-Oregon Railway for exemption from the provisions of chapter 284, Statutes of 1913, relative to headlights on locomotives, dismissed. Applicant granted an extension of sixty days in which to comply with the provisions of said chapter.

*James Glynn*, for Applicant.

REPORT OF THE COMMISSION.

*ESHLEMAN, Commissioner.*

The applicant herein asks for relief from the provisions of the California headlight law on the ground that this line is a local line. It is admitted that trains on this line are operated after sundown, and unless the applicant's line can be called a local line the Commission will have no option but to deny the application.

The applicant operates a line of railway from Reno, Nevada, through California to Lake View, Oregon, and while it is not clear in the act what is meant by the term "local," I am of the opinion that a line operating through three states and over the distances here covered is not what might be called a "local line."

The Commission's entire power is limited to exempting lines of a certain character, and when the line is not of such character we have no jurisdiction whatever to relieve the carrier in question.

The Commission, under the provision allowing extension, will extend the time within which this company shall comply with the law for sixty days from date, within which time, if it has not brought itself within the provisions of the act, it will be subject to the penalties provided therein.

I submit the following order:

**ORDER.**

Nevada-California-Oregon Railway having applied to this Commission for an order exempting it from the requirements of the headlight law of the State of California, and a hearing having been held, and being fully apprised in the premises,

*It is hereby ordered* that the application be and it is hereby dismissed.

*It is further ordered* that the time within which this applicant shall comply with the law is extended to and including the first day of September, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24th day of June, 1914.

---

DECISION No. 1609.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY AND ED FLETCHER FOR AN ORDER AUTHORIZING THEM TO SELL AND OF THE CUYAMACA WATER COMPANY AUTHORIZING IT TO BUY A CERTAIN WATER SYSTEM IN SAN DIEGO COUNTY, AND OF SAID COMPANY TO ISSUE STOCKS AND BONDS IN PAYMENT THEREFOR.

---

Application No. 1130.

*Decided June 24, 1914.*

---

*Held*, James A. Murray and Ed Fletcher authorized to transfer to the Cuyamaca Water Company that certain water system owned by them in the county of San Diego, and the latter company is authorized to issue \$600,000.00 par value of its capital stock in exchange therefor, provided that it shall accept said property together with all existing valid burdens and obligations, and that the value of the stock herein authorized shall not be represented for rate-fixing purposes as the true value of the property.

*A. H. Sweet*, for Applicant.

*Haines & Haines*, for Fairmont Water Company.

*D. G. Gordon*, for Certain Protestants.

*L. L. Boone*, for La Mesa Development Company.

*T. B. Cosgrove*, for City of San Diego.

REPORT OF THE COMMISSION.

ESHLEMAN and THELEN, *Commissioners*.

The applicants, Murray and Fletcher, own a water system in the county of San Diego and conduct it under the name of the Cuyamaca Water Company. On the 15th day of August, 1913, a company was organized by Murray and Fletcher known as the Cuyamaca Water Company. It is now desired by these individual owners to sell all of their property to this corporation and to take in exchange therefor the

capital stock of the Cuyamaca Water Company of \$600,000.00 and six per cent twenty-year bonds in the sum of \$900,000.00, the stock and bonds prayed for to be issued, five sixths to James A. Murray and one sixth to Ed Fletcher, in proportion to their respective ownerships.

Judge Haines, appearing for Fairmont Water Company, desires that the order contain a clause to the effect that the amount of securities authorized shall not be taken before this Commission or any other public authority as representing for rate fixing purposes the actual value of the property.

He also desires the insertion of a clause to the effect that the corporation takes the property subject to all existing valid burdens and obligations.

Judge Haines protests against the issue of any bonds, first, because of possible conflict with the rights of present contract holders, and, second, because in his opinion, the bonding capacity of the system should be reserved for subsequent extensions and improvements.

Mr. L. L. Boone, representing La Mesa Development Company, desires the insertion of a clause in the order to the effect that the corporation takes the property subject to all outstanding obligations, particularly the obligations which James A. Murray assumed when he accepted the deed from the San Diego Flume Company.

Mr. Gordon, representing protestants, objects to any transfer whatsoever, on the ground that Murray and Fletcher have not complied with this Commission's order in Application No. 118. He insists that no steps have been taken to increase the available supply of water, as ordered by the Commission, to which claim Fletcher answers that the available supply has been increased by the digging of wells. Mr. Gordon also insists that the Commission's order is being violated in that additional consumers are being taken on. These consumers are in part domestic consumers west of La Mesa and in part consumers for domestic and irrigation purposes in two tracts known as El Cajon Acres and Murray Hill, which tracts are owned by Murray and Fletcher and are now being placed upon the market. Fletcher replies that under the order, he and Murray were authorized to take on additional consumers for domestic purposes and that Murray owns four or five inches of water attached to the tract known as El Cajon Acres, and that Murray and Fletcher have the right to sell water to people who may purchase lots in this tract.

Mr. Gordon also particularly objects to the transfer on the ground that the proposed deed does not contain the so-called El Monte pumping plant, which pumping plant was the main source of water for this system at dry periods during at least six or seven years. Gordon and Haines object to the segregation of this pumping plant from the general water system.

The evidence clearly shows that this plant was originally owned by the San Diego Flume Company and that for quite a number of years it has been a part of this system, although it was not deeded to Murray until after he bought the remaining portions of the system.

There is no question in our minds that the transfer to the corporation should be permitted. Only one of the protesting parties objects to this, but we do not believe the grounds stated are good. We do not, however, believe that the terms of the transfer are proper. These two applicants, Murray and Fletcher, own the entire property, and if the property is transferred to a corporation and these same men held all the stock of this corporation they would have the same substantial ownership, regardless of the amount of stock. It is desired, however, to issue the maximum that could be issued under any circumstances, both of stocks and bonds, and to impose upon this system immediately an annual interest charge of \$54,000.00. To be sure as long as these bonds are in the hands of the owners to whom it is desired to have them issued, the interest payment might be deferred. But the fact remains that if the Commission should grant the prayer of the applicants we would have a utility corporation starting out with a legal obligation beyond its ability successfully to carry.

In any event, these applicants, so long as they are owners, can only secure the surplus earnings of this company. This is true whether they are owners in their individual right or as stockholders of a corporation.

Therefore, it can do these individuals no good to have an excessive amount of stocks and bonds issued unless they desire to sell such stocks and bonds to the public and this alone is a very good reason for preventing such issue.

Mr. P. E. Harroun, for the applicants, finds the reproduction cost of this property to be \$1,252,130.00 and the present value to be \$809,022.00. This Commission, of course, does not go into the question of value in applications for the issue of stocks and bonds with as much care as when rates are involved, but we do satisfy ourselves that there are property values sufficient to justify and make safe the securities.

Assuming Mr. Harroun's present value to be correct, the par value of the outstanding stocks and bonds applied to be issued will be much in excess of the value of the property. Intangibles, however, are urged to bring the value of the property up to \$1,500,000.00.

It is impossible for us to see why any one owning a piece of property outright should desire to give himself a note and secure it by a mortgage on his property, yet this is exactly what the applicants here desire to do. They desire to go out and borrow money on this property, and put the money or the evidence of it into their pockets. There is nothing wrong

with such procedure but it certainly is a foolish transaction, unless they expect to take the evidence of indebtedness and sell it to third parties at more than it is worth. In only one situation do we see where such a procedure could be of advantage to the applicants, and that is in a case where money was needed for other enterprises and it was desired to borrow from this particular enterprise, and take the money realized therefrom and invest it in some other business. This reason has not been urged by the applicants, but they merely state in justification of the application that they desire to have issued an amount equal to a fair value of the property in stocks and bonds.

Considerable money has been expended by the applicants since they acquired this system for purposes that might properly be called capital expenditures, and for which they would have been permitted to borrow money had they so desired. Some of these expenditures which may properly be credited to capital account might be funded in bonds, thereby releasing the money invested therein if the earning power of the company were better.

The applicants state that they propose to apply to the Commission for an increase in rates and thereby increase their earnings. At the time of the hearing of Application No. 118, this Commission suggested that the extension of the facilities and the increasing of the supply of water under the control of the applicant would largely augment its revenue. We still believe that this can be done. The question of higher rates can be determined when an application is presented, and if found justified, of course, the higher rates will be imposed, but if not, they will not be permitted.

Any time within five years from the time expenditures are made by a public utility properly chargeable to capital account these charges may be refunded by the issuance of bonds therefor, and hence the denial of the application to issue bonds at the present time need not necessarily be considered as final as far as the capital expenditures within the five years are concerned, but at the present time we do not believe any bonds should be issued, thereby imposing an added fixed charge. We believe that the bonding capacity of this company should be kept largely for extensions that must inevitably be made, looking to the increase of the supply and the extension of the facilities of the company.

It seems to us that the suggestions made by Judge Haines and by Mr. Boone may be incorporated in the order, although Mr. Boone's suggestion probably is a mere statement of what would result by operation of law in any event.

It seems to us that some of Mr. Gordon's protests are too critical. The question of the inclusion of the El Monte pumping plant has given



us considerable trouble. If, as a matter of fact, this pumping plant is necessary to the safe and successful operation of the system it should not have been segregated from the property of the system, and had the Commission had jurisdiction at the time of the alienation of this property it would not have been permitted if it were then found to be necessary to the successful operation of the property. A determination of this question may be left to a subsequent proceeding, and if it be found in such subsequent proceeding, after investigation, that this plant is necessary to this system, a condition may be imposed requiring it to be transferred to the company. We do not believe at the present time this one matter should stand in the way of the disposal of the application.

We submit the following order :

**ORDER.**

James A. Murray and Ed Fletcher having applied to this Commission to sell and the Cuyamaca Water Company, a corporation, having applied to this Commission to purchase all of the property owned by the said Murray and Fletcher and operated as the Cuyamaca Water Company, and a hearing having been held, and being fully apprised in the premises, the Commission hereby finds as a fact that public convenience and necessity will be served by the transfer of the property herein described to the Cuyamaca Water Company upon the terms and conditions hereinafter set forth ; and, basing its order on the foregoing finding of fact, *it is hereby ordered—*

*First*—Permission is granted to James A. Murray and Ed Fletcher, doing business under the name of the Cuyamaca Water Company, a co-partnership, to sell, and permission is given to the Cuyamaca Water Company, a corporation, to purchase all of the property owned by said Murray and Fletcher and used in the operation of the water system owned by the applicants, being all of the property acquired by said Murray and Fletcher on the first day of June, 1910, theretofore owned by the San Diego Flume Company, together with all additions and betterments made thereto to the present date, which said property is more particularly described in "Exhibit B" of the application herein.

*Second*—Cuyamaca Water Company is hereby authorized to issue and deliver to James A. Murray \$500,000.00 par value of stock, and to Ed Fletcher \$100,000.00 par value of stock in return for said property herein authorized to be purchased.

All of this order subject to the following conditions :

1. The stock herein authorized to be issued shall not be taken before this Commission or any other public authority as representing for rate fixing purposes the actual value of the property.

2. Said property to be transferred and to be taken by said corporation subject to all existing valid burdens and obligations.

3. Cuyamaca Water Company shall report to this Commission the date of the issue of the stock herein authorized and shall file a certified copy of the deed of conveyance from Murray and Fletcher.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24th day of June, 1914.

DECISION No. 1610.

FOURTH STREET DISTRICT IMPROVEMENT CLUB

*vs.*

SOUTHERN PACIFIC COMPANY.

---

Case No. 616.

*Decided June 24, 1914.*

---

Complainant alleges that the proposed new depot to be constructed by defendant at its present terminal at Third and Townsend streets will be inadequate to properly serve the needs of its patrons, is not properly situated, and if constructed, trains will block Fourth street.

*Held*, That the plans submitted by defendant and as approved by the board of supervisors of San Francisco are far more suitable to properly and adequately serve the needs of its patrons than the plans submitted by complainant. Complaint dismissed.

*E. D. Wilbur*, for Fourth Street District Improvement Club.

*C. W. Durbrow* and *E. J. Foulds*, for Southern Pacific Company.

REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

On June 9, 1914, the Fourth Street District Improvement Club of the city of San Francisco filed with this Commission its complaint, alleging in effect that according to its information the Southern Pacific Company, unless prevented, was about to construct a passenger depot at its terminal at Third and Townsend streets, in the city of San Francisco, which would not only be wholly inadequate for the needs and convenience of the public, but would cause great financial loss to the complainant by the manner in which the defendant's trains would obstruct new Fourth street in the city of San Francisco. With its petition the complainant filed a plan for a proposed arcade depot in the location mentioned, embodying its ideas of what the new depot should be; and

asked that an order issue from the Commission to compel the defendant to build a depot such as shown on said plan.

The Southern Pacific Company in its answer to this complaint on June 22d states that the complainant's plan is wholly impracticable and any depot built in conformity therewith would be entirely inadequate to meet the traffic requirements at said terminal or to properly, safely, or conveniently serve the traveling public.

In compliance with the requests of both the complainant and the defendant this case was set for an early hearing on June 24, 1914, at which sufficient testimony was taken to enable the Commission to arrive at a decision. Prior to the hearing the Commission's engineering department made a thorough study of the merits of both the Southern Pacific Company's plans, which had been submitted to the Commission, and of the plan of the complainant.

The Commission, it appears to me, in this case is solely concerned with the adequacy of the proposed depot, and will pass on the plans only in so far as they will affect the safety and convenience of the public. The board of supervisors of the city and county of San Francisco has granted the defendant the necessary franchises and permission to construct the depot and rearrange its terminal facilities as outlined in the defendant's plans, and I see no reason whatever to review or criticise the actions of said board. It is clear to me from the testimony introduced at the hearing by the complainant that its objections to the plans of the defendant are general and not well founded, and that its principal complaint, namely, against the proposed obstruction of new Fourth street, is based on misinformation, as that street will not be obstructed by any of the defendant's trains if the depot is built according to the defendant's plans. There is no doubt in my mind that the layout as proposed by the defendant will adequately and conveniently serve the public, and that it is vastly superior to the indefinite and incomplete plans of the complainant, and I therefore recommend that the complaint be dismissed.

I submit herewith the following form of order:

**ORDER.**

Fourth Street District Improvement Club, of the city of San Francisco, having filed with this Commission its complaint against the Southern Pacific Company, a corporation, in the proceeding entitled as above, and the Southern Pacific Company having filed with the Commission its answer, and a public hearing having been held,

*It is hereby ordered* that the complaint in the above entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission.

Dated at San Francisco, California, this 24th day of June, 1914.

## DECISION No. 1611.

IN THE MATTER OF THE APPLICATION OF OCEAN SHORE  
RAILROAD COMPANY FOR AN ORDER AUTHORIZING  
THE ISSUE OF PROMISSORY NOTES FOR THE PUR-  
CHASE OF EQUIPMENT.

---

Application No. 1167.*Decided June 26, 1914.*

---

Application of the Ocean Shore Railroad Company for permission to execute its promissory notes aggregating the sum of \$30,168.64, said notes to be issued in part payment for certain equipment required by applicant, granted.

*J. W. Crosby*, for Applicant.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is an application for authority to issue certain promissory notes in part payment for four dump cars, four second-hand passenger coaches and two Mogul type locomotives.

The contract for the four dump cars was entered into on May 27, 1914, between Western Wheeled Scraper Company and the applicant. It provides that these dump cars shall be leased to applicant until applicant has paid the purchase price. The principal of the purchase price is \$6,600.00 and the unpaid portions thereof from time to time are to bear interest at the rate of six per cent per annum. Eight hundred dollars has been paid in cash and the balance of the principal is to be paid by eight promissory notes in the amount of \$483.33 each and six promissory notes in the amount of \$483.34 each. Applicant has been leasing dump cars at the rate of \$2.50 per car per day, and has concluded that it would be far more economical to purchase its own cars. The four cars which applicant desires to acquire are already in use on applicant's line of railroad. A copy of the contract between applicant and Western Wheeled Scraper Company is attached to the petition herein.

The four passenger coaches which applicant desires to purchase were formerly in operation on the Pennsylvania Railroad's line of railroad. The agreement for their purchase was entered into on May 19, 1914, between E. H. Wilson & Company of Philadelphia and the applicant. This agreement also provides that the equipment shall remain the property of the owner or lessor until paid for. The principal sum to be paid is \$6,800.00. Part payment has already been made in cash and the balance is to be represented by thirty-two drafts, of which sixteen are in the sum of \$142.38, twelve in the sum of \$142.37, and four in the sum of \$95.53. These drafts bear interest at the rate of six per cent.

Applicant's secretary testified that these four coaches are necessary in the conduct of applicant's business and that the purchase price, being \$1,700.00 for each coach, is considered very reasonable. A copy of the agreement covering these coaches is attached to the petition.

The two Mogul type locomotives are covered by agreement dated May 22, 1914, between the Baldwin Locomotive Works and applicant. Under this agreement, a copy of which is attached to the petition herein, the sum of \$10,000.00 is to be paid in cash, while the remaining sum of \$20,000.00, together with interest at the rate of six per cent, is to be evidenced by eight promissory notes, all dated May 22, 1914, in the sum of \$2,668.75 each. Applicant's secretary testified that these locomotives are necessary to replace two existing locomotives which are between thirty and forty years old each and which are no longer fit for service. The two new locomotives are already on the tracks of the applicant and are being utilized in its freight and passenger business.

Applicant's secretary testified that it is not expected to pay these various obligations, as they become due, from the earnings of the company, but that an assessment has recently been levied on the stockholders, that some \$100,000.00 out of a total of \$192,000.00 has already been collected, that the funds received from the assessment are being kept in a separate bank account, and that it is expected to use these funds, and possibly others to be secured hereafter in a similar manner, to pay the notes as to which this Commission's authority is now requested.

I am satisfied that the equipment which applicant now desires to purchase is necessary in the conduct of its business and that the price for which it is to be secured is reasonable.

While some of the notes which are to be issued run for a period of one year or less, so that this Commission's consent to their issue is not necessary, nevertheless, the Commission's authorization will apply to all the notes, so as to avoid confusion.

I find that the purposes for which the proceeds of the notes are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and recommend that the application be granted.

I submit herewith the following form of order:

**ORDER.**

Ocean Shore Railroad Company having applied to the Railroad Commission for authority to issue its promissory notes, as will hereinafter appear in greater detail, for the purchase of certain equipment, and a public hearing having been held on said application, and the Commission finding that the purposes for which the proceeds of said notes are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Ocean Shore Railroad Company be and the same is hereby authorized to issue its promissory notes in the amounts and for the purposes and on the conditions as follows, to wit:

1. Ocean Shore Railroad Company is hereby authorized to issue twelve certain promissory notes, payable to Western Wheeled Scraper Company, for the purpose of purchasing four 20 cubic yard standard gauge dump cars, without air pump, at \$1,650.00 each, said notes to include interest at the rate of six per cent per annum on the unpaid principal, from time to time, in accordance with contract dated May 27, 1914, between Western Wheeled Scraper Company and Ocean Shore Railroad Company, a copy of which contract is attached to the petition herein, each of said notes to be dated May 29, 1914, the date of payment and the amount of each of said twelve notes to be as follows:

August 29, 1914 -----	\$570 33
November 29, 1914 -----	563 08
February 28, 1915 -----	555 83
May 29, 1915 -----	548 58
August 29, 1915 -----	541 35
November 29, 1915 -----	534 10
February 29, 1916 -----	526 85
May 29, 1916 -----	519 00
August 29, 1916 -----	512 35
November 29, 1916 -----	505 10
February 28, 1917 -----	497 85
May 29, 1917 -----	490 59

---

\$6,365 61

2. Ocean Shore Railroad Company is hereby authorized to issue thirty-two drafts, each to be dated May 25, 1914, and to be payable to E. H. Wilson & Company, in payment for four 8-wheel, open platform passenger coaches, 54 feet long, formerly in operation on the line of the Pennsylvania Railroad, sixteen of said drafts to be in the sum of \$142.38 each, and to be payable: four drafts three months after date, four drafts six months after date, four drafts nine months after date, and four drafts twelve months after date; twelve drafts to be in the sum of \$142.37 each, of which four drafts are to be payable fifteen months after date, four drafts payable eighteen months after date, and four drafts twenty-one months after date; and four drafts payable twenty-four months after date to be in the sum of \$95.53 each—these drafts to bear interest at the rate of six per cent per annum, all in accordance with contract between E. H. Wilson & Company and Ocean Shore Railroad Company, dated May 19, 1914, a copy of which contract is attached to the petition herein.

3. Ocean Shore Railroad Company is hereby authorized to issue its eight certain promissory notes, each dated May 22, 1914, and payable to the Baldwin Locomotive Works, each note to be in the amount of

\$2,668.75, covering both principal and interest at the rate of six per cent per annum, the first note to be payable on September 22, 1914, and the others to be payable on the twenty-second day of each third month thereafter, for the purpose of paying for two Mogul type locomotives, all as specified in contract between the Baldwin Locomotive Works and Ocean Shore Railroad Company, dated May 22, 1914, a copy of which contract is attached to the petition herein.

4. Ocean Shore Railroad Company shall, on the twenty-fifth day of each month, report to the Railroad Commission the fact of the issue of notes and the disposition thereof, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. This order shall not become effective until applicant has paid the fee specified in section 57 of the Public Utilities Act, as amended.

6. The Commission reserves the right to impose a time limit for the issue of notes hereby authorized, in case they are not issued at the times hereinbefore specified.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 26th day of June, 1914.

---

DECISION No. 1612.

REEDLEY TELEPHONE COMPANY

vs.

L. O. CLOUGH, J. E. ANDERSON, G. E. SCHROEDER, ANTON  
HANSON, AND J. W. GALLE.

---

Case No. 603.

*Decided June 26, 1914.*

---

Complainant telephone company alleges that the telephone connection of defendant Clough is situated within the city limits of Reedley within the exchange radius, and should be required to pay the regular rates for such service though connected with a farmer line.

*Held.* That the connection of L. O. Clough is situated within the regular exchange radius and receiving such service, and should be required to pay the regular monthly rate of \$1.50.

A. *Terkel*, for Reedley Telephone Company.

C. W. *Tackaberry*, for Defendants.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

Reedley Telephone Company, the complainant in this case, operates a telephone system in the city of Reedley, Fresno County, California, and furnishes exchange service to subscribers within the municipal limits of Reedley, and also to a number of farmer lines which extend beyond the municipal limits. The rate for exchange service within the municipal limits is \$1.50 per month. The rate for farmer line service is \$3.60 per annum.

G. E. Schroeder and J. W. Galle, who live beyond the exchange limits, are served by a farmer line. After this line enters the exchange limits it passes across the property of J. E. Anderson, which property is now leased to L. O. Clough. This line also crosses the property of Anton Hanson within the exchange limits.

The only issue presented in this case is whether L. O. Clough should be allowed to receive exchange service on this line at the farmer line rate of \$3.60 per annum, or whether he should be required to pay the rate of \$1.50 per month regularly charged for telephone service furnished within the exchange limits. The telephone company has refused to furnish telephone service to Mr. Clough unless he pays the regular exchange rate and has filed this complaint asking for a ruling of the Commission upon this question; and, further, in case the Commission holds that Mr. Clough should pay the \$1.50 per month rate, that an order be made directing Mr. Clough to disconnect his farmer line station unless this rate is paid, and in the event he fails to do so, that the company be permitted to disconnect the entire farmer line.

I desire to draw attention to the circumstances surrounding the construction and use of this farmer line, as I believe this will have an important bearing upon the decision in this case. This farmer line was constructed about the year 1908 at the expense of six persons owning property in the vicinity of Reedley who desired to have telephone service between themselves and also a connection with the exchange at Reedley, formerly owned by the Pacific Telephone and Telegraph Company. One of these parties, Mr. J. S. Miller, owned the property now occupied by Mr. Clough. Mr. Miller received telephone service upon these premises, as did also the other parties on the farmer line. In November, 1912, Mr. Miller sold this property to Mr. J. E. Anderson. At the time of the transfer no mention was made of the telephone line or of the telephone service. The premises remained idle for several months, at the end of which time they were rented to Mr. Roher. During Mr. Roher's tenancy, which was for a period slightly over a month, the telephone, by some means, became disconnected. After Mr. Roher vacated the premises they were again idle for a period of two months, after which they were occupied a short while by Mr. Boyd. The answer to the



complaint states that Mr. Boyd requested that the telephone be connected, although no testimony was introduced at the hearing upon this point. After Mr. Boyd left the premises they remained idle until about February 1, 1914, at which time they were rented by Mr. Clough, the present occupant. Shortly after Mr. Clough moved on to the premises he requested telephone service and was refused for the reasons mentioned above, and the dispute resulting in the present complaint thus arose.

At the hearing in this case I made a very careful examination of the history of the telephone service on these premises and found that, with the exception of the request which was stated to have been made by Mr. Boyd, no mention was made of telephone service upon these premises during the seventeen months in which the various transfers were made. In view of the peculiar circumstances of this case I do not believe that Mr. Clough can be regarded by this Commission as being in the same position as Mr. Miller, who originally owned these premises, and contributed to the construction of this farmer line. Mr. Clough, without any mention being made of telephone service, moved on to these premises which are situated within the exchange limits. No farmer line service had been furnished to these premises for a period well over a year, although they had been occupied from time to time by different tenants. I feel that Mr. Clough cannot be regarded differently than any other tenant who rents premises within the city of Reedley. I feel that it would be decidedly unfair to permit Mr. Clough to receive regular exchange service at other than the regular exchange rates. I, accordingly, recommend that the Commission make a ruling that the Reedley Telephone Company shall charge for telephone service for the premises now occupied by Mr. Clough at the regular exchange rate of \$1.50 per month.

Reedley Telephone Company also requested that this Commission make an order requiring Mr. Clough to disconnect his telephone station at these premises unless he would pay the \$1.50 per month rate, and further, that in case Mr. Clough refused to disconnect his telephone station, the company be permitted to disconnect the entire farmer line. I do not feel that it is necessary at this time to make an order as requested by the telephone company. I feel that the decision upon the just rate to be charged will settle the present controversy. If, however, action by this Commission is deemed necessary, another complaint may be filed with the Commission.

I recommend the following order:

**ORDER.**

The above entitled case having been heard and the Commission being duly advised in the premises,

*It is hereby ordered* that the rate to be charged by Reedley Telephone Company for regular telephone exchange service furnished to the prem-

ises within the city of Reedley, now owned by J. E. Anderson and occupied by L. O. Clough, is the regular exchange rate of \$1.50 per month.

*It is further ordered* that in all other respects the complaint in this proceeding be and the same is hereby dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 26th day of June, 1914.

---

DECISION No. 1613.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN CALIFORNIA EDISON COMPANY FOR AUTHORITY TO SELL ITS ELECTRIC DISTRIBUTION SYSTEM IN SAN FERNANDO TO PACIFIC LIGHT AND POWER CORPORATION.

---

Application No. 1174.

*Decided June 27, 1914.*

---

Southern California Edison Company authorized to sell to the Pacific Light and Power Corporation for the sum of \$9,448.00 its certain electrical distributing system in the town of San Fernando.

*H. H. Trowbridge*, for Applicant.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is an application by Southern California Edison Company for authority to sell its electric distribution system in San Fernando, Los Angeles County, California, to Pacific Light and Power Corporation. for the sum of \$9,448.00. Pacific Light and Power Corporation serves approximately 85 per cent of the consumers in San Fernando, and Southern California Edison Company the remaining 15 per cent. It is now proposed that Southern California Edison Company sell, to Pacific Light and Power Corporation, the distribution system of which the patrons of the former company are served.

It appears that Southern California Edison Company purchased its distribution system in San Fernando from the Maclay Rancho Company for \$9,000.00, and has since expended \$448.00 for additions and betterments, making a total cost of \$9,448.00. The system is to be sold to the

Pacific Light and Power Corporation, therefore, at the price it has cost the Southern California Edison Company.

Pacific Light and Power Corporation will unify the two systems. The two companies maintain the same schedule of rates.

The top lighting rate is 7 cents per kilowatt hour, and the top power rate 6 cents per kilowatt hour. The present patrons of the Southern California Edison Company will therefore receive light and power at the same price they have been paying. Through its ownership of a complete system, the Pacific Light and Power Corporation will be enabled to render a more efficient service than can now be rendered by the dual agency.

I recommend that the application be granted, and submit the following form of order:

**ORDER.**

Southern California Edison Company having applied to this Commission for authority to sell its electric distribution system in San Fernando, Los Angeles County, California, as listed in detail in Exhibit "A" attached to the application herein, to Pacific Light and Power Corporation for the sum of \$9,448.00, and a hearing having been held, and it appearing that public convenience and necessity will be served by the sale of said system to the Pacific Light and Power Corporation.

*It is hereby ordered* that Southern California Edison Company be given authority and it is hereby given authority to sell its electric distribution system in San Fernando, Los Angeles County, California, as listed with this Commission, as Exhibit "A" in the application herein, for the sum of \$9,448.00.

Said sum of \$9,448.00, herein authorized to be paid for the property as set forth in the opinion preceding this order, shall not be binding upon the Railroad Commission of the State of California or any other regulatory body in the matter of fixing rates.

The authority herein given shall apply to such sale or transfer as shall have been made on or before October 1, 1914.

Southern California Edison Company shall report to this Commission when it shall have transferred the property herein described to Pacific Light and Power Corporation.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of June, 1914.

## DECISION No. 1614.

W. S. VAN SCIEVER

vs.

THE OCEAN PARK HEIGHTS LAND AND WATER COMPANY  
AND ANNA DELL SEGNO.

Case No. 601.

*Decided June 27, 1914.*

Complainants allege that the water system of defendant serving the residents of Ocean Park Heights is inadequate and insufficient to properly serve this territory.

*Held*, Defendant and parties interested showing a mutual desire to cooperate in improving and bettering this system so as to enable it to give proper and adequate service, order suspended.

*John L. Fleming*, for Complainant.

*Garrett & Bush*, for Defendant.

## REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This is a complaint by Mr. W. S. Van Sciever and other residents of Ocean Park Heights, Los Angeles County, against the Ocean Park Heights Land and Water Company and Mrs. Anna Dell Segno, in which it is alleged that the water service is inadequate and that the facilities for pumping and distributing water are also inadequate. It appears that the water plant was formerly owned by the Ocean Park Heights Land and Water Company. It is now owned by Mrs. Anna Dell Segno. I shall therefore recommend that the complaint against the Ocean Park Heights Land and Water Company be dismissed.

Mrs. Anna Dell Segno made formal denial of the charge that the water service and facilities were inadequate but represented that necessary steps were being taken to provide for the greatly augmented supply.

At the hearing there appeared to be a general concurrence of opinion that the water service is insufficient for the purposes of the residents of Ocean Park Heights. It appears, however, that Mrs. Anna Dell Segno has already taken steps to increase the supply of water and to improve the service.

Mrs. Segno engaged an engineer who has, in her behalf, acquired a parcel of land and has entered into a contract for a new well with a concrete catch basin. Steps have been taken also to acquire such necessary equipment and pipes as may be required to bring the water service to a proper state of efficiency. This water system serves seventy-five consumers, who live in an attractive residence section above Ocean Park.

All parties concerned in this matter displayed a commendable spirit

of cooperation. The patrons stated their needs and desires and Mrs. Segno showed that she would do what was necessary to meet their requirements.

I should like to call to the attention of all of the smaller water companies of the State, and to the attention of their patrons, the spirit the parties herein concerned have displayed and their desire to cooperate for their mutual interests.

I shall enter no order in this case except to dismiss the complaint as to the Ocean Park Heights Land and Water Company. I shall allow the matter to rest for the time being upon the assurance of Mrs. Anna Dell Segno that the desired improvements in the system will be made. I shall set the matter down on the Commission's calendar for August 5, 1914, and such action can then be taken as may then appear to be necessary.

**ORDER.**

*It is hereby ordered* that the above entitled complaint be and the same is hereby dismissed as to the defendant, the Ocean Park Heights Land and Water Company, and continued for future hearing as to Anna Dell Segno as set forth in the opinion preceding this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, this 27th day of June, 1914.

---

DECISION No. 1615.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AUTHORITY TO PURCHASE ONE THOUSAND AND SIXTY SHARES OF THE PREFERRED CAPITAL STOCK OF LONG BEACH CONSOLIDATED GAS COMPANY.

---

Application No. 1173.

*Decided June 27, 1914.*

---

Application of the Southern California Edison Company for permission to purchase 1,060 shares of preferred stock of the Long Beach Consolidated Gas Company at \$80.00 per share, granted.

*H. H. Trowbridge, for Applicant.*

**REPORT OF THE COMMISSION.**

LOVELAND, *Commissioner.*

On May 23, 1914, this Commission issued an order granting authority to Long Beach Consolidated Gas Company to sell \$60,000.00 of its bonds

at 95 per cent of their par value, and to sell 1,400 shares of its preferred stock at \$80.00 per share. The order in this case specified the purposes to which the proceeds derived from the sale of said stocks and bonds should be devoted.

On June 11, 1914, the Commission issued a supplemental order authorizing Long Beach Consolidated Gas Company to use the proceeds to be derived from the sale of 1,060 shares of its preferred stock, previously authorized, for the purpose of liquidating indebtedness to the Southern California Edison Company in the sum of \$84,000.00, represented by notes for \$40,000.00, and accounts payable in the sum of \$44,000.00.

Southern California Edison Company now applies to this Commission for authority to purchase 1,060 shares of the preferred stock of Long Beach Consolidated Gas Company, authorized by this Commission in previous orders above referred to. Long Beach Consolidated Gas Company has issued 850 shares of preferred stock, all of which are owned by Southern California Edison Company, and has also issued 6,757 shares of its common stock, of which 5,552 shares are owned by Southern California Edison Company. It thus appears that Southern California Edison Company is in control, by majority stock ownership, of Long Beach Consolidated Gas Company.

While I recommend that the application be granted, I suggest also that Long Beach Consolidated Gas Company accord to all of its stockholders an opportunity to subscribe for the preferred stock on the same terms as it has been offered to the Southern California Edison Company.

I recommend the following form of order:

**ORDER.**

Southern California Edison Company having applied to this Commission for authority to purchase 1,060 shares of the preferred stock of Long Beach Consolidated Gas Company at \$80.00 per share, and a hearing having been held,

*It is hereby ordered* that Southern California Edison Company be given authority and it is hereby given authority to purchase 1,060 shares of the preferred stock of Long Beach Consolidated Gas Company at \$80.00 per share.

The authority herein given is given for the purchase of such stock of the Long Beach Consolidated Gas Company as may be acquired by Southern California Edison Company on or before December 31, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of June, 1914.

## DECISION No. 1616.

IN THE MATTER OF THE APPLICATION OF THE CONSOLIDATED UTILITIES COMPANY FOR AUTHORITY TO ISSUE FIFTEEN AND EIGHT TENTHS SHARES OF STOCK AND TO RENEW A NOTE OF ONE THOUSAND FIVE HUNDRED DOLLARS.

---

Application No. 1186.

*Decided June 27, 1914.*

---

Applicant authorized to issue 15.8 shares of its capital stock, of the par value of \$1,580.00, to take up notes of a like amount now outstanding, and also to execute a note in the sum of \$1,500.00 in renewal of a note now due, proceeds of which were used for additions to plant.

*J. O. McDonald*, for Applicant.

## REPORT OF THE COMMISSION.

*LOVELAND, Commissioner.*

Consolidated Utilities Company is engaged in the telephone and telegraph business. It has exchanges in Compton, Hynes and Gardena, Los Angeles County, and at these points, and in the territory adjacent thereto, it furnishes telephone service to 800 subscribers. Applicant connects with the United States Long Distance Telephone Company, Pacific Telephone and Telegraph Company, the Postal Telegraph Company, and the Western Union Telegraph Company. Under its contract with the United States Long Distance Telephone Company applicant receives 25 per cent of the revenue derived from messages originating on its lines. Under its contract with the Pacific Telephone and Telegraph Company it derives 30 per cent of the revenue from messages either outgoing or incoming, collected at points on its lines. Under its contract with the Postal Telegraph Company it receives 25 per cent of the originating messages. Under its contract with the Western Union Telegraph Company it receives 15 per cent of such money as it collects on behalf of the Western Union Telegraph Company.

Applicant asks this Commission for authority to issue 15.8 shares of its capital stock, of the par value of \$100.00 per share, and to renew a note to the First National Bank of Compton in the sum of \$1,500.00.

It appears that the applicant issued 15.8 shares of stock without the approval of the Commission, and upon learning that this stock had been illegally issued, cancelled the same, and in lieu of the stock, issued its

notes to the purchasers. It now desires authority to issue this stock to take up the notes thus put out. These notes were issued as follows:

To J. Lee Shepard, dated July 1, 1913, payable June 30, 1914, interest at 7 per cent.....	\$580 00
To Sam Shepard, dated July 1, 1913, payable June 30, 1914, interest at 7 per cent.....	500 00
To Mrs. M. E. Collingridge, dated July 1, 1913, payable June 30, 1914, interest at 7 per cent.....	500 00
Total .....	\$1,580 00

For these notes applicant received the sum of \$1,580.00. The money derived from these notes was used for switchboard and pole lines.

Applicant issued its note to the First National Bank of Compton, on July 1, 1913, with interest at 7 per cent, in the sum of \$1,500.00; the proceeds from this note were also used for additions to applicant's system. It is now proposed to refund this note.

Applicant states that the original cost of its plant to June 1, 1914, was \$51,127.07. It has issued 370.6 shares of capital stock out of a total authorized issue of 1,000 shares. The par value of the stock is \$100.00, and applicant states that none of it was sold for less than par. There is a mortgage upon applicant's plant, originally made in the sum of \$8,000.00, but which has since been reduced to the sum of \$5,500.00. Applicant's other indebtedness consists of a note in the sum of \$1,000.00. Applicant lists notes receivable in the sum of \$8,000.00.

For the year 1913 applicant reports net earnings in the sum of \$5,700.00. During the same year a dividend of 8 per cent was paid. In 1912 the company declared a dividend of 9 per cent, and in 1911 a dividend of 10 per cent.

I recommend that the application herein be granted, and submit the following form of order:

#### ORDER.

Consolidated Utilities Company having applied to this Commission for authority to issue 15.8 shares of its capital stock, and for authority to issue a promissory note in the sum of \$1,500.00 to the First National Bank of Compton, for the purposes as above noted in the opinion herein, and a hearing having been held, and it appearing that the purposes for which the applicant desires to issue said stock and said notes are not in whole or in part chargeable to operating expenses or to income,

*It is hereby ordered* that Consolidated Utilities Company be given authority, and it is hereby given authority, to issue 15.8 shares of capital stock, and to issue its promissory note in the sum of \$1,500.00 to the First National Bank of Compton. The authority herein given is given upon the following conditions and not otherwise:



The 15.8 shares of stock herein authorized to be issued shall be issued as follows:

- (1) 5.8 shares to J. Lee Shepard.  
5 shares to Sam Shepard.  
5 shares to Mrs. M. E. Collingridge.

(2) Said stock shall be issued in payment for the following notes previously issued by Consolidated Utilities Company:

Note held by J. Lee Shepard, dated July 1, 1913, in the sum of \$580.00.

Note held by Sam Shepard, dated July 1, 1913, in the sum of \$500.00.

Note held by Mrs. M. E. Collingridge, dated July 1, 1913, in the sum of \$500.00.

(3) The note herein authorized in the sum of \$1,500.00 to be issued to the First National Bank of Compton, shall be issued to refund a note in like amount, now held by the First National Bank of Compton.

(4) Said note to be issued to the First National Bank in the sum of \$1,500.00 shall be for a period not to exceed five (5) years, and at a rate of interest not to exceed 7 per cent per annum.

(5) The applicant herein shall report within ninety (90) days to this Commission that it has issued the note and stock herein authorized, as herein permitted.

(6) The authority herein given to applicant to issue such stock and such notes shall apply to such stock and such notes as shall have been issued on or before October 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of June, 1914.

## DECISION No. 1617.

IN THE MATTER OF THE APPLICATION OF THE BOARD OF SUPERVISORS OF SISKIYOU COUNTY, CALIFORNIA, FOR THE OPENING OF A PUBLIC ROAD IN THE BUTTE ROAD DISTRICT, THE SAME TO CROSS AT GRADE THE TRACKS OF SOUTHERN PACIFIC COMPANY IN THE TOWN OF WEED, SISKIYOU COUNTY, CALIFORNIA.

---

Application No. 1127.

*Decided June 27, 1914.*

---

Applicant applies for permission to construct at grade a county road across the tracks of the Southern Pacific Company and the Weed Lumber Company in the town of Weed.

*Held*, Owing to the fact that this crossing, if constructed, would be obliged to cross six tracks, over which there is considerable switching, almost continually, such crossing would be extremely dangerous, application denied.

*F. W. Hooper*, district attorney of Siskiyou County, representing Board of Supervisors.

REPORT OF THE COMMISSION.

LOVELAND, *Commissioner*.

This proceeding was instituted under section 2694 of the Political Code of the State of California, which reads as follows:

2694. Whenever the general route of the road to be abandoned, altered, laid out or constructed is shown by the petition provided for by section 2682 of this code to cross the track or right of way of any railroad or street railroad, the county clerk of the county wherein said petition is filed shall immediately upon the appointment of viewers by the board of supervisors transmit to the railroad commission a certified copy of the petition and of the order appointing viewers. Said commission shall thereupon fix a day for the hearing of said petition, and shall give notice thereof to said viewers, to the district attorney and clerk of the board of supervisors of the county wherein said petition is filed, and to the resident owner or agent of the owner of the land over which the proposed road is to run and said hearing shall be held at the rooms of the board of supervisors of said county. At said hearing the said commission shall hear the evidence offered as to the crossing of said track or right of way by said proposed road, and shall thereupon determine whether said proposed road shall, if constructed, be constructed across said track at grade or otherwise, and shall determine and prescribe the manner, including the particular point of crossing, and the terms of installation, operation and maintenance, use and protection of said crossing. The said conclusions of said commission shall thereupon be reported to the board of supervisors, and in its order fixing a day for hearing the viewers' report, the said board shall include therein an order fixing a day for hearing said conclusions which shall be

the same day fixed for hearing the said viewers' report. Notice of said hearing shall be given in the manner and for the time prescribed by section 2688 of this code, and, in addition to said notice, the county clerk shall notify said commission of the time and place of said hearing, and at said hearing the board of supervisors shall first proceed to the consideration of said conclusions of said commission, and if the same be rejected, no further proceeding shall be had in said matter. If the same be approved, said board shall proceed in the manner provided by law to act upon said viewers' report. The board shall have no power to change or modify said conclusions except by and with the consent of said commission.

It is an application by the board of supervisors of the county of Siskiyou, California, for the opening of a certain public road in Butte District, Siskiyou County, California, across the tracks and right of way of Southern Pacific Company at Weed, Siskiyou County, California, and being particularly described as follows:

Commencing at a point on the public highway at or near Weed Hospital and thence running in a northerly and easterly direction following the now traveled road to Summit Union schoolhouse, its terminus.

The petition for this road was made by certain residents and land owners of the Butte Road District in said county and viewers were appointed by the board of supervisors of Siskiyou County to view out said proposed road and report thereon to that board. The road is intended to cross the tracks and right of way of Southern Pacific Company at Weed, and also the tracks of the Weed Lumber Company, which companies object to this crossing and refuse easements over their right of way and property.

A hearing was held in Yreka on June 12, 1914, at which these three interested parties were represented. It developed that the railroad company based its objections solely upon the added hazard of the operation of its trains and the danger that would be created by the installation of this proposed crossing.

An investigation into the physical conditions at the point of the proposed crossing shows that there now exists a road and a crossing which, however, are not public. It is the desire of the petitioners to legalize this crossing and to have the county assume the burden for the maintenance of the road and the railroad for the maintenance of the crossing. This proposed public highway, if established, will cross six tracks, one of which is the Southern Pacific main line track running between San Francisco and Portland, the second one the main line track of the California Northeastern Railway running between Weed and Klamath Falls, and the remaining four being side tracks and spurs. These tracks are in close proximity to each other, with a distance between the two extreme outside tracks of not more than sixty feet.

The testimony introduced at the hearing was unanimous that this crossing as it exists to-day, and as it would continue if granted as a grade crossing, is an extremely dangerous one. Not only are the railroad tracks used by main line trains, but a great deal of switching is going on on the spur tracks and sidings almost continually, day and night, and especially during the lumber cutting season. It appears that the crossing would be used largely by children going to and from school, and that children are now, and will continue to be, crawling under and through trains which obstruct this crossing during a considerable portion of the day. Accidents in fact have occurred at that point. An undergrade crossing is out of the question owing to the physical conditions at the point of the proposed crossing. The railroad there runs along the edge of a steep sidehill and the approaches to the subway could be built only at a prohibitive cost. A footbridge for pedestrians only would be a possibility. This crossing, however, is intended to be used also by teams, and an overhead structure for vehicle traffic is impracticable. To construct an overhead footbridge for pedestrians and a grade crossing for teams would be futile and eliminate the danger for neither teams nor pedestrians, since the latter in nine cases out of ten would prefer the more convenient grade crossing for the inconvenient overhead bridge. The protection of a grade crossing by gates is also impracticable, since these gates would be down and blocking the crossing during a very large portion of the day owing to the continuous switching movements in that neighborhood. Watchmen, who would have to be stationed there day and night, would find it impossible to keep in view continuously all of the six tracks, and a standing or switching train at any time might block their vision of the obstructed portion of the crossing.

I am in sympathy with the people of Weed in their desire to establish a county road between the east side and the west side of the railroad in that territory, but I am convinced that the hazard and danger existing at that particular point far outweighs any possible benefit that would be derived from the granting of a public grade crossing.

I recommend, therefore, that the application be denied and submit the following form of order.

#### ORDER.

Application having been made by the board of supervisors of Siskiyou County, California, for the opening of a certain public road in Butte Road District, near Weed, Siskiyou County, California, as hereinbefore described, said road to cross at grade the tracks and the right of way of Southern Pacific Company and the tracks of the Weed Lumber Company; and a hearing having been duly held, and it appearing to the Commission that this crossing if granted would be an extremely dangerous one; that it is impracticable by effective safeguards

to protect this crossing, and that a separation of grades at this point, owing to physical conditions, is impracticable,

*It is hereby ordered* that said application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of California.

Dated at San Francisco, California, this 27th day of June, 1914.

---

DECISION No. 1618.

KLEIN-SIMPSON FRUIT COMPANY

*vs.*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY,  
SANTA FE REFRIGERATOR DISPATCH COMPANY,  
AND NORTHWESTERN PACIFIC RAILROAD COMPANY.

---

Case No. 524.

*Decided June 29, 1914.*

---

Supplemental order amending the original order in above entitled case so as to provide a re-icing charge on egg shipments from Petaluma to Los Angeles of not to exceed \$3.50 at Stockton, \$3.50 at Bakersfield, and \$6.00 per ton at Barstow. When initial icing is done by shipper, cars must be iced to capacity, if carriers are directed to re-ice in transit.

REPORT OF THE COMMISSION.

OPINION ON APPLICATION FOR REHEARING.

ESHLEMAN, *Commissioner*.

The defendants herein filed an application for rehearing and particularly objected to the provision that ice for refrigeration in transit shall be furnished at cost.

After a consideration of the matters urged by defendants, I am of the opinion that the order should be modified making the amount to be charged at each particular point at which re-icing may be required definite, and giving a reasonable amount for the service performed by the carriers; and with such modification, I recommend that the petition for rehearing be denied, and recommend the following amended order:

AMENDED ORDER.

An order having been entered in the above entitled proceeding, and an application for rehearing having been filed, and having carefully considered the same,

*It is hereby ordered* that the previous order in the above entitled matter stands as heretofore entered with the following modification:

The Atchison, Topeka and Santa Fe Railway Company, Santa Fe Refrigerator Dispatch Company and Northwestern Pacific Railroad Company shall publish and file with this Commission, within twenty (20) days from the date hereof, a tariff providing that shippers shall provide for the initial icing on shipments of eggs from Petaluma to Los Angeles; and further providing that if the shipper so directs no further ice shall be furnished; or if the shipper so directs, re-icing shall be furnished by the carrier on the shipper's request at a price not to exceed \$3.50 at Stockton, \$3.50 at Bakersfield, and \$6.00 per ton at Barstow. Said tariff shall further provide that on such shipments where the initial icing is performed by the shipper with directions not to re-ice in transit, said shipper shall assume all risk due solely to improper refrigeration; and, further, that if shipper undertakes to perform the original icing service and directs the carriers to perform any re-icing service in transit, cars must be delivered to the carriers in the first instance fully iced to the capacity of the bunkers.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of June, 1914.

## DECISION No. 1619.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF SANTA MARIA VALLEY RAILROAD COM-  
PANY.

---

Case No. 327.*Decided June 29, 1914.*

---

Proceedings on Commission's own motion to determine the various elements entering into the value of respondent's property. Terms defined.

*Findings of fact:* (1) The original cost of the operative physical property of respondent as of June 30, 1912, is the sum of \$234,966.11; (2) The reproduction value of the operative physical property of respondent as of June 30, 1912, is the sum of \$232,150.98; (3) The present value of the operative physical property of respondent as of June 30, 1912, is the sum of \$216,509.07.

## REPORT OF THE COMMISSION.

EDGERTON, *Commissioner*.

This is one of the so-called valuation cases brought on the Commission's own initiative for the purpose of ascertaining various elements entering into the value of the property of the Santa Maria Valley Railroad Company.

On April 23, 1912, the Santa Maria Valley Railroad Company, in accordance with this Commission's order, filed an inventory of its property, together with a statement of its original cost, the final summary sheet of which is attached to this report and marked "Exhibit A."

On August 15, 1912, this Commission's engineering department submitted its detailed report in the above proceeding, a copy of the final summary sheet of which is attached hereto and marked "Exhibit B." A complete copy of this report was also transmitted to the railroad company on the same date.

A hearing was held in this case on April 29, 1913. The company was not represented at this hearing, having declared by letter its acceptance of the Commission's engineering department's valuation.

Definitions of the values ascertained in this valuation will first be given.

The term "Original Cost" means the original book cost, and is defined as the actual expenditures chargeable to capital account, in accordance with the Interstate Commerce Commission's or this Commission's classifications, in cash or its equivalent in terms of cash, by the public utility for its operative property in the State of California, as of the date of the valuation.

The term "Reproduction Value" means the reproduction cost, and is defined as the estimated cost in cash of acquiring the operative right

of way and other operative real estate and of reproducing, in the condition in which it was acquired, the other physical property of the public utility in the State of California, as of the date of valuation; to which are added overhead expenditures for engineering, law, interest, and commissions, and other similar items.

The term "Present Value" is defined as the "reproduction cost" less the diminution in the value of the physical elements of the property, due to use, age, obsolescence, inadequacy, or other causes, this diminution being called "depreciation," and plus the increase in the value of the physical elements of the property, due to age or other causes, this increase being called "appreciation." "Present value" might be defined as "depreciated and appreciated reproduction cost."

#### 1. Organization, Construction and Operation.

The Santa Maria Valley Railroad Company was organized, as shown by its articles of incorporation, on July 5, 1911, for the purpose of constructing a standard gauge railroad from Betteravia, Santa Barbara County, California, in an easterly direction to the property of the Santa Maria Oil Fields of California, Limited, a distance of 15 miles, with a branch line beginning at a point on the main line  $6\frac{1}{2}$  miles east of Betteravia and extending southerly  $2\frac{1}{2}$  miles to the city of Santa Maria. During the construction of the road the line, however, was relocated, and as built runs from a connection with the Betteravia Branch of the Southern Pacific Company approximately  $6\frac{1}{2}$  miles south of Guadalupe in Santa Barbara County, northeasterly to the city of Santa Maria  $5\frac{3}{4}$  miles, and thence in an easterly and northeasterly direction to the Santa Maria Oil Fields. The total length of main line is 17.8 miles, with 1.8 miles of sidings and spurs, making a total length of track of 19.6 miles. The road was built and is controlled by the Palmer Annex Oil Company, a California corporation. This company in turn is closely connected with the Santa Maria Oil Fields of California, Limited, of London, England. Construction work began in September, 1911, and tracklaying was completed between Betteravia Junction and Leonardt, the eastern end of the line, in December, 1911. This road was built primarily as a branch line to serve and market the product of the Palmer Annex Oil Company at Leonardt. Its standards of construction are fair on this basis. The track is laid with 76-pound relay steel rail eleven years old, with second-hand fastenings, frogs and switches and railroad crossings. The railroad has been ballasted with drift sand taken from cuts on the Southern Pacific Railroad. The greater part of this sand has blown away. It was the intention of the company to oil this sand, but at the time of the valuation this had not yet been done. For about  $1\frac{1}{4}$  miles east of Santa Maria the track is laid in the bed of a wide and shallow creek, and will be submerged during floods in seasons of high water. As no passenger business is done or expected



to be handled on this end of the line, and only shipments of crude oil will be made, it is considered that no serious loss will result if service is continued for short periods during such seasons. The builders estimated that the prospective traffic would not warrant the construction of the road above the creek bed. The road is in fair condition and able to handle its traffic safely.

All rails and track material were purchased second-hand from the Southern Pacific Company, and Southern Pacific standards for building, etc., as far as practicable, were used throughout. The company paid for the track steel used with its bonds, and on July 24, 1911, entered into an agreement with the Southern Pacific Company, which practically places that company in control of the road, and among other things gives the Southern Pacific Company the right of purchase at any time within five years from completion of construction at terms stated in contract.

With the exception of one locomotive the road owns no equipment. This is rented from the Southern Pacific Company. No passenger service is maintained over the line. It is not intended to do a regular passenger business east of Santa Maria at any time. Construction was completed in March, 1912, and the operating department took formal charge of the road on April 1, 1912.

#### 2. Stocks and Bonds.

The authorized capital stock of the company is \$300,000.00, represented by 3,000 shares of the par value of \$100.00 each. The company has an authorized bond issue of \$200,000.00, dated September 1, 1911, due September 1, 1931, bearing interest at the rate of 6 per cent, payable semiannually. The entire authorized issues of both the capital stock and first mortgage bonds are outstanding. Both stocks and bonds are held by the Palmer Annex Oil Company, as shown by contract of August 6, 1911, except certain bonds (about \$100,000.00) sold to the Southern Pacific Company on the basis of 80, for track steel, as mentioned heretofore.

#### 3. Revenues and Expenses.

At the date of valuation, June 30, 1912, the road had been in operation for only three months, and no annual report later than the one for the period ending June 30, 1912, is available. Since the revenue and traffic statistics in this report cover only a fraction of a year, they are of no significance and will not be given.

#### 4. Original Cost.

The original cost of this line, as that term has been defined heretofore, is available. The Commission has been furnished with two statements of original cost of road and equipment as of date March 1, 1912, viz:

(a) Statement furnished by the Commission's engineering department, as of March 1, 1912.

(b) Statement filed with the inventory of physical property by the company on April 23, 1912, as of March 1, 1912.

These statements are as follows :

Account No.	Classes	Expenditures for road and equipment as of March 1, 1912.	
		A.	B.
1	Engineering .....	\$7,586 82	\$7,586 82
2	Right of way and station grounds.....	24,715 02	24,715 02
4	Grading .....	17,137 51	17,137 51
6	Bridges, trestles and culverts.....	3,120 39	3,120 39
7	Ties .....	27,926 25	27,926 25
8	Rails .....	74,155 31	99,386 87
9	Frogs and switches.....	3,097 96	3,097 96
10	Track fastenings, etc.....	7,593 69	10,005 64
11	Ballast .....	1,316 00	1,316 00
12	Tracklaying, etc. ....	21,155 72	21,074 07
13	Roadway tools .....	36 81	118 46
14	Fencing right of way.....	6,763 21	6,763 21
15	Crossings and signs.....	780 43	780 43
18	Station buildings, etc.....	2,611 43	2,611 43
20	Shops, engine houses, etc.....	1,027 61	1,074 62
21	Shop machinery and tools.....	59 16	59 16
22	Water stations .....	847 34	847 34
23	Fuel stations .....	802 46	802 46
31	Miscellaneous structures .....	50 76	3 75
35	Earnings and operating expenses during construction .....	2,019 35	2,019 35
35 1/2	Injuries to persons.....	12 50	12 50
Total cost of "road".....		\$198,777 03	\$226,420 54
43	Law expenses .....	\$257 00	\$257 00
44	Stationery and printing.....	232 50	232 50
47	Interest and commissions.....	15 61	15 61
48	Other expenditures .....	9,299 96	9,299 96
Total "other expenditures" .....		\$9,773 85	\$9,773 85
Grand total .....		\$208,550 88	\$236,194 39

The total shown in statement "B" is the same as given in "Exhibit A." The excess of statement "B" over statement "A" of \$27,643.51 is due to the fact that the cost of track materials aggregating \$109,392.51, in statement "B," is figured on a "bond" basis instead of a "cash" basis. As stated heretofore, the Southern Pacific Company agreed to furnish the Santa Maria Valley Railroad Company with track materials at \$35.00 per ton and accept in payment thereof bonds of this company at 80 per cent of their par value. On the "bond" basis rails would have cost \$43.75 per ton. The cash value of this track material is, therefore, \$87,514.00 instead of \$109,392.51, or a difference of \$21,878.51. The remaining difference between "A" and "B,"

namely, \$5,765.00, is accounted for in sundry small items. It is evident that the "bond" basis is not a proper one for estimating the original cost of a railroad, and hence, the statement of cost furnished with the inventory should be disregarded to the extent that this basis is used. Upon request the company furnished a statement of the cost of road and equipment as of June 30, 1912, taken from the books of the company. This statement was checked by the engineering department and appears in the column "Original Cost" of "Exhibit B."

I am satisfied to accept the figures of the engineering department, and find as a fact that the original cost of the operative property of the Santa Maria Valley Railroad Company, as of June 30, 1912, is the sum of \$234,966.11.

#### 5. Reproduction Value.

The company in its valuation made no estimate of reproduction value, maintaining that this item should be equal to the original cost.

Referring to "Exhibit B" it will be noted that in this case the company's contention is proven to be practically correct, since the engineering department's estimate of the cost to reproduce this property amounts to \$232,150.98, and comes within less than \$3,000.00 of the original cost figure.

No objection was made by the company to the method employed by the engineering department in determining the reproduction value of this property and to the results obtained, and the engineering department's figure will be allowed to stand.

I find, therefore, as a fact that the reproduction value, as that term is hereinbefore defined, of the operative property of the Santa Maria Valley Railroad Company, as of June 30, 1912, is the sum of \$232,150.98.

#### 6. Present Value.

As with reproduction value, the company made no estimate of reproduction cost less depreciation, assuming this value to be equal to the original cost. The Commission's engineering department has considered all materials and construction as being one year old on this line, and the reproduction value is depreciated on this basis. Depreciation has been figured primarily on the basis of actual and expected life of the property and on the straight-line method. The engineering department's report sets out in detail the methods followed and results obtained.

The following table shows the average life attached to the several classes of labor, materials, and property, and salvage value, if any, their

estimated annual depreciation, and their depreciated value on the basis of percentage "new," for this line:

Item	Average life (years)	Salvage value (a)	Actual life (years)	Annual depreciation (b)	Present value per cent of "new"
Right of way					100
Grading					100
Timber trestles	10		1	10%	90
Timber box culverts	8		1	13%	87
Corrugated iron culverts	15		1	7%	93
Wrought iron pipe	25		1	4%	96
Ties, Oregon pine	8		1	13%	87
Rails, "new"	25	36%			
Rails, relay, eleven years old	14	21%	1	6%	94
Frogs, etc., "new"	15	36%			
Frogs, etc., relay, six years old	9	10%	1	9%	91
Railroad crossings	5		1	20%	80
Track fastenings, "new"	15	33 $\frac{1}{3}$ %			
Track fastenings, relay, eleven years old	10 (c)		1	10%	90
Ballast, drift sand	2		1	50%	50
Tracklaying, etc.			1		90 (d)
Roadway tools	10		1	10%	90
Fencing	15		1	7%	93
Crossings and signs	10		1	10%	90
Station buildings	20		1	5%	95
Shop buildings	20		1	5%	95
Shop machinery, etc.	20		1	5%	95
Water stations	25		1	2%	98
Fuel stations	20		1	5%	95
Miscellaneous structure	10		1	10%	90
Engineering			1		100
Legal expenses			1		100
Stationery, etc.					100
Interest, etc.			1		100
Other expenditures					100

(a) Per cent of value "new." Relay rail, etc., acquired by this company considered "new" on this company's lines.

(b) Per cent of "wearing" value (value "new," less salvage value).

(c) Life of fastenings in present location considered to be ten years, instead of four years, account of less traffic, etc.

(d) Tracklaying depreciated on basis of materials entering into same.

It will be noted that the item "Grading" is taken at 100 per cent of reproduction value. Ordinarily, some "depreciation" would be attached to grading, on account of age, but in this case the wasting of embankments, etc., due to weather action, is held to offset any increase in value that might be credited to seasoning.

The company has accepted the engineering department's figures for the depreciated reproduction cost of its property, and I find as a fact that the present value of the operative property of the Santa Maria Valley Railroad Company as of June 30, 1912, is the sum of \$216,509.07.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of June, 1914.

## EXHIBIT "A."

Name of owner, Santa Maria Valley Railroad Company; operating company, same; from Junction to Leonard; miles main line track, 17.77; miles yard tracks, etc., 1.8; total, 19.57.

Valuation as of June 30, 1912. C. J. Rogers, office compiler. Date compiled, April 20, 1912.

Class No.	Form No.	Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....	\$24,715 02	Company claims that "Reproduction Value" and "Present Value" are equal to "Original Cost."		
2	2	3	Real estate .....				
3	3	4	Grading .....	17,137 51			
4	4	5	Tunnels .....				
5	5	6	Steel bridges and trusses .....				
6	6	6	Pile and frame trestles .....	1,368 94			
7	7	6	Culverts .....	1,751 45			
8	8	7	Ties .....	27,926 25			
9	9	8	Rails .....	99,386 87			
10	10	9	Frogs and switches .....	3,097 96			
11	11	10	Track fastenings and other material.....	10,005 64			
12	12	11	Ballast .....	1,316 00			
13	13	12	Tracklaying and surfacing .....	21,074 07			
14	14	13	Roadway tools .....	118 46			
15	15	14	Fencing right of way .....	6,763 21			
16	16	15	Crossings and signs .....	780 43			
17	17	16	Interlocking plants .....				
18	18	16	Signal apparatus .....				
19	19	17	Telegraph and telephone lines .....				
20	20	18	Station buildings and fixtures .....	2,611 43			
21	21	18	Platforms, walks, paving and curb .....				
22	22	19	General office buildings and fixtures .....				
23	23	20	Shop buildings and engine houses .....	1,074 62			
24	24	20	Transfer and turntables, cinder pits, etc. ....				
25	25	20	Miscellaneous shop buildings and structures .....				
26	26	21	Shop machinery and tools .....	59 16			
27	27	22	Water stations .....	847 34			
28	28	23	Fuel stations .....	802 46			
29	29	24	Grain elevators .....				
30	30	25	Storage warehouses .....				
31	31	26	Dock and wharf property .....				
32	32	27	Electric light plants .....				
33	33	28	Electric power plant .....				
34	34	29	Electric power transmission .....				
35	35	30	Gas producing plants .....				
36	36	31	Miscellaneous structures .....	3 75			
Total classes 1 to 36, inclusive.....				\$220,840 57			
37	--	1	Engineering, 3.64 per cent, 1 to 36, inclusive .....	7,583 82			
38	37	32	Transportation of men and material.....				
39	38	33	Rent of equipment .....				
40	38	34	Repairs of equipment .....				
41	--	35	Earning and operating expenses during construction .....	2,019 35			
42	--	35 1/2	Injuries to persons .....	12 50			
43	--	36	Cost of road purchased .....				
Total classes 1 to 43, inclusive.....				\$226,420 54			
44	39	37	Steam locomotives .....				
45	--	38	Electric locomotives .....				
46	40	39	Passenger train cars .....				
47	41	40	Freight train cars .....				
48	42	41	Work equipment .....				
49	43	42	Floating equipment .....				
Total classes 1 to 49, inclusive.....				\$226,420 54			
50	--	43	Law expenses, . . per cent classes 1 to 37, inclusive .....	257 00			
51	44	41	Stationery and printing .....	232 50			
52	44	45	Insurance .....				
53	45	46	Taxes .....				
Total classes 1 to 53, inclusive.....				\$226,910 04			
54	--	47	Interest and commission, . . per cent, classes 1 to 53, inclusive .....	15 61			
55	45	48	Other expenditures .....	9,299 96			
56	--	--	Contingencies, . . per cent, classes 1 to 53, inclusive .....				
57	46	--	Stores and supplies on hand for use in California .....				
Grand total .....				\$236,194 39			
Average per mile for main line track .....				12,068 20			

## EXHIBIT "B."

Name of owner, Santa Maria Valley Railroad Company; operating company, same; from Junction to Leonardt; Miles main line track, 17.8; miles yard tracks, etc., 1.8; total, 19.6.  
Valuation as of June 30, 1912. Richard Sachse, field inspector and office compiler. Date compiled, August 15, 1912.

Class No.	Form No.	I. C. C. Act. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....	\$22,098 00	\$24,445 50	100	\$24,445 50
2	2	3	Real estate.....				
3	3	4	Grading.....	17,240 06	17,335 52	100	17,335 52
4	4	5	Tunnels.....				
5	5	6	Steel bridges and trusses.....	1,398 94	1,312 56	90	1,181 31
6	6	6	Pile and frame trestles.....	1,299 42	1,246 31	90	1,129 98
7	7	6	Culverts.....	27,926 25	29,559 92	87	25,725 83
8	8	7	Ties.....	79,764 27	80,872 52	91	73,620 17
9	9	8	Rails.....	3,128 58	3,177 34	85	2,728 31
10	10	9	Frogs and switches.....	7,069 29	7,548 69	90	6,808 07
11	11	10	Track fastenings and other material.....	1,316 00	1,935 00	50	2,467 50
12	12	11	Ballast.....	22,021 31	17,889 00	90	16,092 00
13	13	12	Tracklaying and surfacing.....	118 46	118 46	90	106 61
14	14	13	Roadway tools.....	6,835 21	6,717 50	93	6,248 20
15	15	14	Fencing right of way.....	855 60	855 60	90	779 77
16	16	15	Crossings and signs.....				
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....				
20	20	18	Station buildings and fixtures.....	2,878 87	2,878 87	95	2,734 92
21	21	18	Platforms, walks, paving and curb.....				
22	22	19	General office buildings and fixtures.....				
23	23	20	Shop buildings and engine houses.....	1,206 10	1,206 10	95	1,145 80
24	24	20	Transfer and turntables, chlder pits, etc.....				
25	25	20	Miscellaneous shop buildings and structures.....				
26	26	21	Shop machinery and tools.....	91 56	91 56	95	86 98
27	27	22	Water stations.....	1,163 58	1,163 58	98	1,133 57
28	28	23	Fuel stations.....	802 46	802 46	95	762 34
29	29	24	Grain elevators.....				
30	30	25	Storage warehouses.....				
31	31	26	Dock and wharf property.....				
32	32	27	Electric light plants.....				
33	33	28	Electric power plant.....				
34	34	29	Electric power transmission.....				
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....	125 14	125 14	90	112 63
Total classes 1 to 36, inclusive.....				\$197,879 30	\$202,272 68	92	\$187,006 01
37	--	1	Engineering, 5 per cent. 1 to 36, inclusive.....				
38	37	32	Transportation of men and material.....	10,353 23	10,113 63	100	10,113 63
39	38	33	Rent of equipment.....				
40	38	34	Repairs of equipment.....				
41	--	35	Earning and operating expenses during construction.....	441 36			
42	--	35 1/2	Injuries to persons.....				
43	--	36	Cost of road purchased.....	25 00			
Total classes 1 to 43, inclusive.....				\$207,816 17	\$212,386 31	93	\$197,209 64
44	39	37	Steam locomotives.....	9,304 78	9,304 78	95	8,839 54
45	--	38	Electric locomotives.....				
46	40	39	Passenger train cars.....				
47	41	40	Freight train cars.....				
48	42	41	Work equipment.....				
49	43	42	Floating equipment.....				
Total classes 1 to 49, inclusive.....				\$217,120 95	\$221,691 09	93	\$203,049 18
50	--	43	Law expenses, 1 per cent. classes 1 to 49.....	257 00	2,216 91	100	2,216 91
51	44	44	Stationery and printing.....	235 06	235 06	100	235 06
52	44	45	Insurance.....	5 42	5 42	100	5 42
53	45	46	Taxes.....				
Total classes 1 to 53, inclusive.....				\$217,618 43	\$224,148 48	93	\$208,506 57
54	--	47	Interest and commission, 3 per cent. classes 1 to 53, inclusive.....	6,984 39	6,724 35	100	6,724 35
55	45	48	Other expenditures.....	10,363 29	1,278 15	100	1,278 15
56	--	--	Contingencies, -- per cent. classes 1 to 53, inclusive.....				
57	46	--	Stores and supplies on hand for use in California.....				
Grand total.....				\$234,963 11	\$232,150 98	93	\$216,509 07
Average per mile for main line track.....				13,200 34	13,042 19	93	12,163 43

## DECISION No. 1620.

IN THE MATTER OF ASCERTAINING THE VALUE OF THE  
PROPERTY OF THE OCEAN SHORE RAILROAD COM-  
PANY.

---

Case No. 180.*Decided June 29, 1914.*

---

Proceedings on Commission's own motion to determine the various elements entering into the value of respondent's property. General history of respondent reviewed, revealing an enormous waste in connection with the construction of this property.

*Findings of fact:* (1) That the original cost of the operative physical property of respondent as of June 30, 1912, is the sum of \$5,373,667.84; (2) That the reproduction value of the operative physical property of respondent as of June 30, 1912, is the sum of \$4,812,083.79; (3) That the present value of the operative physical property of respondent as of June 30, 1912, is the sum of \$4,627,319.40; (4) That the total cost of the non-operative property of respondent is the sum of \$507,889.97.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is one of the so-called valuation cases brought on the Commission's own initiative for the purpose of ascertaining the various elements entering into the value of the property of the Ocean Shore Railroad Company.

This company, in accordance with the Commission's order, on December 27, 1912, filed an inventory of its operative property, together with a statement of its original cost, reproduction value and present value, the final summary sheet of which is attached to this report and marked "Exhibit A." The company also filed a statement of expenditures made for and an estimate of the reproduction value and present value of certain non-operative and abandoned property, the final summary sheet of which is attached and marked "Exhibit B." "Exhibit C," as attached to this report, shows the total expenditures charged to the construction of the entire property, operative, non-operative and abandoned, as shown in the valuation made by the company (exclusive of "the gap").

On March 24, 1914, the Commission's engineering department submitted its detailed report in the above proceeding. This report shows that the engineering department made an independent investigation into the cost records and the physical conditions of the road, and divides the property into three (3) geographical sections, namely:

- Section 1. Line in the city and county of San Francisco, 7.49 miles main line.
- Section 2. Line in San Mateo County, 30.66 miles main line.
- Section 3. Line in Santa Cruz County, 15.55 miles main line.

These three sections, aggregating a total of 53.70 miles, as shown in the Commission's engineering department's report, constitute the entire operative property of this company. The valuation of this property is given in detail in the engineering department's report, the final summary sheet of which is attached hereto and marked "Exhibit D." "Exhibit D" is therefore directly comparable with "Exhibit A."

The engineering department has also made an investigation into the cost expenditures for the uncompleted portion of the line between Tunitas and Scott Creek in San Mateo and Santa Cruz counties, termed "The Gap," and the final summary sheet of this investigation is also attached to this report and marked "Exhibit E." This portion of the company's property is considered as non-operative by the Commission's engineering department. Finally, the engineering department has submitted to the Commission a statement, by accounts, of the company's total expenditures for road and equipment, for operative, non-operative and uncompleted property, the final summary sheet of which is further attached to this report and marked "Exhibit F." Exhibits "E" and "F" are not immediately comparable with Exhibits "B" and "C."

A hearing was held in this case on May 15, 1914. At this hearing no appearance was entered by the Ocean Shore Railroad Company, the secretary of the company stating over the telephone that they would not protest this hearing, and accepted the valuation of the engineering department.

It is essential in cases of this kind that the Commission state clearly the nature of the values found in its investigations, and definitions of certain terms used in this report will first be given.

The term "Original Cost" means the original book cost and is defined as the actual expenditures chargeable to capital account, in accordance with the interstate Commerce Commission's classifications, in cash or its equivalent in terms of cash, by the public utility for its operative property in the State of California, as of the date of the valuation.

The term "Reproduction Value" means the reproduction cost, and is defined as the estimated cost in cash of acquiring the operative right of way and other operative real estate and of reproducing, in the condition in which it was acquired, the other physical property of the public utility in the State of California, as of the date of valuation; to which are added overhead expenditures for engineering, law, interest and commissions, and other similar items.

The term "Present Value" is defined as the "reproduction cost" less the diminution in the value of the physical elements of the property, due to use, age, obsolescence, inadequacy, or other causes, this diminution being called "depreciation," and plus the increase in the value of the physical elements of the property, due to age or other causes, this



increase being called "appreciation." "Present value" might be defined as "depreciated and appreciated reproduction cost."

1. **Organization, Construction, and Operation.**

The properties of the present Ocean Shore Railroad Company have been in control of the following legal owners and managements:

1. Ocean Shore Railroad Company, from April 18, 1905, to December 6, 1909.

2. F. S. Stratton, receiver, from December 6, 1909, to February 2, 1911.

3. Bondholders of the Ocean Shore Railroad Company, from February 2, 1911, to November 27, 1911.

4. Ocean Shore Railroad Company, from November 27, 1911, to date of this report.

The Ocean Shore Railroad Company, a California corporation, was incorporated on May 18, 1905, to construct and operate a single or double track line from San Francisco to Santa Cruz, a distance of 80.26 miles; the road to follow as nearly as possible the shore line of the Pacific Ocean. The line was to run through the city and county of San Francisco, through San Mateo County, and through Santa Cruz County.

The plans for this line called for a double track electric railway from San Francisco to Santa Cruz, and construction commenced in 1905 from both termini. In the same year contracts were entered into with certain firms for a steam power plant for electric power generation and for a large amount of electrical equipment. These contracts involved an expenditure of over seven hundred thousand dollars (\$700,000) and are mentioned to show the scale on which the work was undertaken. It was the intention of the company to push the work of construction to the earliest possible conclusion, and work was being actively prosecuted in the latter part of 1905 and the early part of 1906. Steel for the substations and for other structures was ordered and part of it delivered. The Santa Cruz-Portland Cement Company's cement plant at Davenport, Santa Cruz County, at that time was nearing completion, and in order to handle the product of this plant the Coast Line Railway (a Southern Pacific subsidiary) was started from Santa Cruz to Davenport. The Ocean Shore Railroad Company was also anxious to reach this producer of tonnage and at least get its share of the traffic. The Ocean Shore Railroad Company having a prior and better location also entered into a contract with the Coast Line Railway, whereby among other considerations the construction of the roadbed for some miles between Santa Cruz and Davenport was to be joint work between both companies; the plans providing for one Coast Line track and two Ocean Shore tracks. This portion of the work was actually completed and the contract fulfilled, the Ocean Shore Railroad Company paying in general

fifty-eight eighty-ninths (58/89) of the cost. The earthquake of April 18, 1906, did considerable damage to the roadbed, and the period of financial stringency which followed the San Francisco disaster greatly embarrassed the company, which from that time on found itself in continually rising financial difficulties. It may be stated that this disaster was the initial cause for the bankruptcy, which finally came about in December, 1909. When the shortage of money became manifest on every side the electric construction and equipment contracts were abrogated, and although the company tried to maintain itself by repeated assessments on the capital stock, and by finally attempting to dispose of its bonds in one hundred dollar denomination, these measures proved to be of no avail. Many notes were issued bearing rates of interest as high as 10 per cent, and bonds to the amount of almost two million dollars hypothecated as security, with the result that finally the security was taken and sold. It is impossible to ascertain the total amount of the notes issued, but their extent may be indicated by stating that there was paid in interest on notes in the neighborhood of \$210,000.00, which is only \$75,000.00 less than the total interest paid on bonds. Construction contracts for the grading work from the beginning were let wherever possible on a bond basis, *i. e.*, the contractor was required to take part of the contract price in bonds. The cash value of the bonds as a rule was fixed in the construction contracts (usually at 91), and this fact resulted in many difficulties when the company defaulted on its bond interest and the value of its securities lessened. This is of considerable importance in connection with this valuation, since it affected seriously the company's charges to capital account and the statement of original cost. In 1905, at about the same time as the Ocean Shore Railroad Company was incorporated, there was incorporated also the Shore Line Investment Company, which dealt in lands along the route of the railway company. It was the intention of the railway to establish a fast suburban service between a number of newly laid out towns and San Francisco, and many people had invested in the lands of the Shore Line Investment Company. The road was therefore opened for operation as fast as portions of it were completed, the opening of the first section occurring in 1907. The books of the company were changed to an operating basis on January 1, 1909, and the last portion of the road was put in operation on May 16, 1909. At this time the northerly portion of the line from San Francisco south had reached Tunitas, a distance of 38.2 miles, and the southerly end, from Santa Cruz northerly, had reached Swanton, a distance of 15.5 miles. There was left uncompleted "the gap" between Tunitas and Swanton, a distance of 26.56 miles. No new construction was undertaken since 1909, and the road remains in this unfinished condition to-day.

In 1909 there remained to be constructed not only these 26 miles of "gap," on which only a portion of the grading had been done, but the operated line, owing to its unfortunate location in many places, was burdened with unusual heavy maintenance charges, while the earnings of the company were much lower than had been anticipated.

On December 6, 1909, a receiver was appointed for the properties of the railway company, and seven months later, in July, 1910, the Mercantile Trust Company of San Francisco, trustee, declared the principal of the bonds payable under the conditions of the deed of trust for non-payment of interest. Upon petition by the trust company the court gave permission for the foreclosure sale of the railway's properties. At this time there were outstanding bonds to the par value of \$4,955,000.00. To better protect their interests the bondholders got together and authorized the committee to purchase the road for their account. The terms of this sale will be discussed under the following caption, Stocks and Bonds. The bondholders' committee took possession of the property on February 2, 1911, and the capital stock of the old company was wiped out.

On October 9, 1911, the Ocean Shore Railroad Company was organized, its purpose being to engage in the business of a common carrier and to acquire parts of and complete a railroad from San Francisco to Santa Cruz. This new company inherited a large portion of the difficulties of the old company, and has not yet been able to finish its program, namely, the making of the Ocean Shore into a through line from San Francisco to Santa Cruz.

The following table shows the mileage, operative and non-operative, the former segregated into divisions, counties, main and side tracks:

#### Operative Mileage.

Northern Division, San Francisco to Tunitas.

Southern Division, Santa Cruz to Swanton.

(Figures with asterisks are those submitted by the company.)

(Figures without asterisks are those submitted by the Commission's engineering department.)

Division	County	Miles					
		Main track		Side track		Total	
Northern.....	San Francisco .....	7.49	7.46*	4.94	4.78*	12.43	12.24*
Northern.....	San Mateo .....	30.66	30.66*	5.08	5.31*	35.74	35.97*
Northern.....	Total .....	38.15	38.12*	10.02	10.09*	48.17	48.21*
Southern.....	Santa Cruz .....	15.55	15.57*	2.83	2.87*	18.38	18.44*
Total.....	All .....	53.70	53.69*	12.85	12.96*	66.55	66.65*

**Non-Operative Mileage (not completed).**

County	Location	Main track miles
San Mateo.....	Tunitas to Santa Cruz County line.....	20 (approx.)
Santa Cruz.....	Santa Cruz County line to Scott Junction.....	6 (approx.)
All.....	Tunitas to Scott Junction.....	26 (approx.)

As stated before, the road was designed as a double track railroad, but is now operated as a single track standard gauge steam railroad, except for some 2.4 miles in the city of San Francisco, where franchises compel the company to use electric power. Practically all the grading and the majority of the trestles and culverts are for a double track road. The San Francisco terminal is at Eleventh and Mission streets. Physical connection is made with the joint Southern Pacific and Santa Fe tracks at Army and Illinois streets, and there is also a physical connection with the Southern Pacific Company's tracks at Spring Valley. The San Francisco terminal is well located, but the Santa Cruz terminal is unsatisfactory. The company, however, has rights to a better location in Santa Cruz, as soon as it can fulfill its franchise conditions, which call for electric power over the .86 miles remaining to be built. There is a physical connection with the Southern Pacific at Santa Cruz. It may be of interest to state here that the board of engineers, appointed by the Circuit Court, estimated in 1909 that the cost of additional terminal facilities at Santa Cruz would reach \$354,842.37, but this amount would provide for facilities to handle a large traffic on the completed road.

Beginning at Twelfth and Mission streets in San Francisco the line follows the city streets for approximately 2.4 miles to the company's shops, where it meets the freight line extending from a junction with the joint Southern Pacific and Santa Fe tracks at Army and Illinois streets. This portion of the line is operated by electricity, the power being purchased and distributed by catenary trolley system with steel center pole and bracket construction on the Twelfth street line, and a simple span suspended trolley wire on the Army street line. From the shops the line follows the bed of Islais Creek to a summit near Ocean View, and thence to the shore of the Pacific Ocean. Upon reaching the ocean the line is built along Mussel Rock Bluffs for some two miles, with a maximum elevation of about one hundred and fifty (150) feet above the water. These bluffs are of soft material, having cohesion enough to permit steep slopes when dry, but being of the consistency of quicksand when wet. On miles 11 and 12 alone over one and one half million cubic yards were moved, this including excavation and pay embankment only, and not overhaul. The track at one point is to-day

some fifty feet inland from its original location, the inroads of the ocean at the foot of the bluff having forced this move. This part of the line has been in the past and will always be expensive to maintain. Leaving the bluffs the road crosses the mouths of several fertile valleys with comparatively little heavy work, until San Pedro Point is reached, in mile 19; then for approximately four miles the line continues along the steep bluffs overlooking the ocean with the grade of from one hundred to two hundred and fifty feet above the water. The slopes here are very precipitous, and the work was heavy, and in the neighborhood of two million cubic yards of material, mostly loose and solid rock, were moved northerly four miles. Southerly from these bluffs the road again crosses the mouths of several fertile valleys and lies on the table-land some distance back from the shore. Purissima and Lobitas creeks are crossed on high single track trestles. North of Tunitas the bluffs are again encountered and heavy work was necessary, until just south of Tunitas the track crosses Tunitas Creek, and a few rail lengths beyond the end of track is found, this being the southerly end of the northerly portion of the road. The location for the next twenty-six miles of uncompleted line, "the gap" continues to follow the beach and the cliffs. Approximately one half million dollars worth of work has been done on this uncompleted portion of the line, the principal item (\$378,000) being for grading. In this valuation all work done on "the gap" is classed as non-operative property. The northerly terminus of the southerly portion of the road is Swanton, which lies a few miles inland, and is the distributing point for a large timber country. From Swanton to Scott Junction the road lies in Scott Creek Valley, and construction work was very light. From Scott Junction southerly for about eleven miles the road is on the table-land about one half mile inland from the ocean. This table-land is about seventy feet above the sea and at intervals cut by deep gulches. For the last two miles of the road to Santa Cruz the line swings farther inland, and construction was rather light.

The original plans for this line contemplated a road of the best construction standards, but owing to circumstances which have been touched upon heretofore, the company found it impossible to adhere to these intentions, and on the existing line as a whole the standards of construction are not high, excepting from this statement, possibly, the fact that large and permanent fills and drainage tunnels, rather than wooden trestles, are found on the southern portion of the line. There are no steel or concrete track structures, wood being employed exclusively for bridges and culverts. The standard double track roadbed was 28' 6" on fills and 32' 6" in cuts, providing for 14' 6" track centers. These dimensions indicate narrow shoulders on embankments and small

ditches in cuts. There is but one tunnel on the line. It is timbered and its section is small. The construction of the wooden trestles must be considered as light for steam road practice, but it should be stated that the original plans were for electric power and that these bridges were looked upon as structures to last only until they could be filled and not as permanent bridges. Ties are 6" x 8" x 8', partly untreated fir and partly split redwood, all of the southern division having the latter. No tie-plates are used. Rail was bought new and is 70-pound Bessemer steel, except for some four miles of 52-pound Bessemer steel. The track as a whole is in fair condition, considering that there is little or no ballast under it, that it is in a comparatively wet country, and that the maintenance forces have been at a minimum.

The company owns and operates its own equipment, which is partly new and partly second-hand. The company at the present time operates three (3) passenger trains each way daily between San Francisco and Tunitas, and one (1) passenger train each way daily between San Francisco and Halfmoon. Two (2) additional passenger trains each way are run between San Francisco and Tunitas on Sundays only. There is also operated one (1) freight train daily, except Sundays, between San Francisco and Tunitas. On the southern division, between Swanton and Santa Cruz, three (3) mixed trains daily are operated each way. In winter the number of trains is usually reduced.

## 2. Stocks and Bonds.

The original Ocean Shore Railroad Company was capitalized at \$3,000,000.00, and this capitalization was later increased to \$5,000,000.00. The company owes its inception to Mr. Alfred E. Bowen, who, previous to the incorporation, had made some surveys, acquired some options, estimates and other data, and had had maps prepared of the proposed road. Of the \$83,000.00 cash subscription (\$1,000 per mile) which was paid the treasurer at the incorporation of the company, Mr. Bowen subscribed three hundred and thirty-two (332) shares of stock, or \$33,200.00. In consideration of his services and of \$500,000.00 cash paid by him Mr. Bowen was voted all the capital stock and took control of the company. When the stock was increased by 20,000 shares to \$5,000,000.00, Mr. Bowen was voted 18,000 shares in exchange for \$250,000.00 cash, and in consideration of his turning over to the company certain options and contracts. This total of \$750,000.00 received from Mr. Bowen was all the money the company received aside from the sale to the public of such bonds and stock as it was able to dispose of and from seven (7) assessments on the capital stock, which amounted to \$1,592,563.50, including one (1) assessment of \$386,163.50 on the new, namely Ocean Shore Railroad Company's stock. It would therefore appear that \$2,342,563.50 was received in cash aside from the proceeds of the sale of bonds.

The bonds of a \$5,000,000.00 issue were issued on November 1, 1905, the issue consisting of 5,000 bonds of the par value of \$1,000.00 each, bearing 5 per cent interest, and payable in thirty (30) years. These bonds were a first mortgage on the entire property of the company, and the Mercantile Trust Company of San Francisco was named as trustee.

Mr. S. G. Murphy had made a tentative offer for the purchase of these bonds, and it was voted to dispose of all of them to him at 91; but in March, 1906, Mr. Murphy retracted his offer, and the company tried to dispose of these bonds directly, principally to purchasers within the State of California.

It has been stated heretofore that subsequent to the earthquake of 1906 the company found itself in financial difficulties, which ultimately resulted in the appointment of a receiver, the foreclosure sale of the company's property, and the purchase of the road by the bondholders. In July, 1910, the date of the court's permission for the foreclosure sale, there were outstanding bonds of this company to the par value of \$4,995,000.00. The court made the following provisions in the terms of sale:

1. The minimum price was set at \$1,000,000.00 gold coin;
2. There was to be paid in cash by the purchaser, on the fall of the hammer, \$131,433.59, to be expended by the trust company at the direction of the court, in payment of:
 

(a) Certain legal expenses, costs, fees, etc.....	\$17,012 57
(b) Receiver's expenses .....	72,819 11
(c) Contested applications .....	41,601 91
Total as above.....	\$131,433 59
3. The purchaser was to assume responsibility for other claims which might be entitled to priority in payment over the bonds and which the court advised would not exceed \$100,000.00.

There were other provisions in the terms of sale, but the foregoing are the principal ones.

The sale took place on January 17, 1911, the committee being the only bidder. Instead of \$1,000,000.00 cash being paid the price was \$1,035,000.00, the \$35,000.00 being paid in cash and the \$1,000,000.00 in the bonds of the Ocean Shore Railroad Company. Certain other payments and adjustments were made, as set out in the Commission's engineering department's report, with the result that the bondholders who had not been parties to the agreement and who held about \$120,000.00 par value of bonds, received a little over 17 cents on the dollar of their holdings. The item of responsibility for claims in the provisions under which the sale was made led to payments by the company which have continued to the date of the appraisal, the total amount of which still remains unsettled. The bondholders' committee took possession of the property on February 2, 1911. It will be evident from

the foregoing that it is impossible to state at this time what the ultimate amount of cash will be which was paid for this property by the bondholders' committee. The cost to any bondholder was what he had paid for his bonds, less unpaid interest, but the actual value of the road, as represented by the actual cost to the bondholders, is not known. The company's capital stock, through the fact of this sale, lost whatever value it may have had and was wiped out.

The new company was organized on October 9, 1911, under the name of the Ocean Shore Railroad Company. The capital stock of this corporation is \$5,000,000.00, divided into 50,000 shares of the par value of \$100.00 each. Six per cent bonds, dated December 1, 1911, and maturing December 1, 1916, amounting to \$700,000.00, were authorized, but none of these bonds were issued.

The following table, the figures in which were taken from the company's annual reports, presents perhaps better than a lengthy discussion the principal features of the financial history of the company since it began making reports to the Commission:

No.	Item	During, or at end of year ending June 30*			
		1908	1909	1911	1912
1	Mileage operated .....	36	53.7	53.7	53.7
2	Capital stock .....	\$5,000,000 00	\$5,000,000 00	None	\$5,000,000 00
3	Capital outstanding .....	5,000,000 00	5,000,000 00	None	4,796,300 00
4	Bonds .....	5,000,000 00	5,000,000 00	None	None
5	Bonds outstanding .....	2,547,500 00	5,000,000 00	None	None
6	Total deductions outstanding..	7,547,500 00	10,000,000 00	None	4,796,300 00
7	Bonded interest paid.....	108,000 00	138,790 00	None	None
8	Other interest paid.....		24,235 95	None	None
9	Total interest paid.....		\$163,025 95	None	None
10	Liability per mile.....		\$186,219 74		\$89,316 58
11	Net operating revenue or deficit .....			\$44,152 54	8,196 36
12	Cost of road purchased.....				5,056,455 64
13	Additions and betterments.....				\$50,612 50
14	Investment road and equipment since June 30, 1907.....				5,107,661 44
15	Investment per mile.....				95,114 74

\*No report for 1910.

<sup>1</sup>Owned by bondholders in 1911.

<sup>2</sup>Deficit.

<sup>3</sup>\$12,300.00 also expended for equipment, not included in \$50,612.50.

### 3. Revenues and Expenses.

Traffic and revenue are not of special interest in so far as this valuation is concerned. A few of the more important items usually considered are taken from the annual reports of the company and are shown in the following paragraph.



The year 1911-12 was the first in which a net operating revenue was returned. This amounted to \$8,196.36, or \$153.20 per mile. At this the ratio of operating expenses to operating revenue was .939; on other and paying roads this ratio is usually from .60 to .70.

*Passenger service train revenue—*

Number of passengers carried earning revenue-----	84,058
Number of passengers carried one mile-----	1,846,651
Number of passengers carried one mile per mile-----	34,517
Average distance carried, miles-----	21.97
Passenger revenue -----	\$42,660.20
Excess baggage revenue -----	9.75
Parlor and chair car revenue-----	None
Mail revenue -----	1,450.63
Express revenue -----	1,703.82
Milk revenue (on passenger trains)-----	1,075.36

Total passenger service train revenue-----	\$46,899.76
Passenger service train revenue per mile of road-----	\$876.63
Passenger service train revenue, per train mile-----	.75598
Number of tons of revenue freight carried-----	145,711
Number of tons of revenue freight carried one mile-----	2,531,202
Number of tons of revenue freight carried one mile per mile of road -----	4,731
Freight revenue -----	\$83,037.76
Average receipts per ton mile-----	.03281
Freight revenue per mile of road-----	\$1,552 11
Switching revenue -----	\$3,125 00
Revenue other than from transportation-----	\$806 87

*Averages—*

Average number of passengers per car mile-----	12
Average number of passengers per train mile-----	30
Average number of passenger cars per train mile-----	2.63
Average number of tons of freight per loaded car mile-----	18.85
Average number of tons of freight per train mile-----	48.46
Average number of freight cars per train mile-----	4.31
Average number of loaded cars per train mile-----	2.57
Average number of empty cars per train mile-----	1.74

The freight moved is classified as follows:

Products of agriculture-----	4.22%
Products of animals-----	7.71%
Products of mines-----	*58.74%
Products of forests-----	*18.59%
Manufactures -----	2.27%
Merchandise -----	8.26%
Miscellaneous -----	.21%
	100.00%

\*Principally crushed rock and sand on northern division.

\*Principally logs on southern division.

The bulk of the passenger business is Sunday and other excursions to the various beaches along the ocean, although the company has a fair daily business.

The following table presents the principal traffic and revenue statis-

ties for those years the company has made annual reports to the Commission, from which reports these figures are taken:

Item No.	Item	At the end of, or during, year ending June 30,	
		1911	1912
1	Main line mileage.....	53.7	53.7
	<i>Equipment owned.</i>		
2	Locomotives .....	10	11
3	Passenger cars .....	19	25
4	Freight cars .....	127	109
	<i>Earnings, operating.</i>		
5	Passenger train .....	\$21,349 10	\$49,899 76
6	Freight .....	45,299 66	83,037 76
7	Other (8—(5 plus 6) ).....	2,970 78	3,931 87
8	Total .....	\$69,619 54	\$133,869 39
	<i>Expenses, operating.</i>		
9	Maintenance of way and structures.....	\$55,284 46	\$21,939 42
10	Maintenance of equipment.....	15,759 08	28,335 19
11	Transportation .....	32,559 43	54,160 36
12	Traffic .....	1,373 47	4,225 34
13	General .....	8,785 64	17,012 72
14	Total .....	\$113,762 08	\$125,673 03
15	Ratio operating expenses divided by operating revenue .....	1.63	.91
16	Net operating revenue or deficit.....	\$44,152 44*	\$8,196 36
17	Net operating income or loss.....	45,837 34*	2,717 86
18	Net corporate income or loss.....	52,613 29*	7,440 76*
19	Additions and betterments.....	None	62,912 50

NOTE.—Road placed on operating basis January 1, 1909. No reports for 1910.

\*Deficit or loss.

#### 4. Original Cost.

The original cost of this property as found on the company's books and as given in its valuation does not represent what the cost of the road would have been had all expenditures been paid for in cash. This is true because payments were made in bonds which were charged to the books at values differing at times very greatly from the bonds' market or cash value. The actual cash value of these expenditures as a rule averages considerably less than the "bond expenditure" appearing on the books. As it is impossible to ascertain the cash value of each bond at the time of its disposal, it is entirely impossible to find what would have been original cost if cash had been paid.

With these facts in view the importance of the original cost figures diminishes. The original cost is further clouded by the extent of expenditures for property now abandoned and for preparations for a double track road, preparations which were never completed as far as the laying of steel or operating on this second track are concerned.

These expenditures, for what might be called uncompleted construction, together with their proper overhead charges, may be considered a total loss. The expenditures for property now abandoned are not now, of course, an asset to the company. It is probable that they were justified at the time they were made, but they should now certainly be written off and not allowed under original cost. This item of abandoned property in the engineering department's valuation amounts to \$159,921.22.

The original cost as submitted by the company was checked by the Commission's engineering department and with the books of the company, and while some errors were found and a difference of opinion existed as between the company's and the Commission's engineering department, regarding some items which it is believed should be written off, the books were found to be properly kept. Supporting the book charges are over 16,000 vouchers, many of which are accounting vouchers for bookkeeping purposes, which do not authorize book expenditures or show receipt. Many of the vouchers are missing, and this is explained by the company as being the result of taking them to court in various suits, from where they were never returned. Entire books have been lost in this same way, a pertinent fact in this connection being that there is no satisfactory continuous record of vouchers representing payments. Previous to January 1, 1909, expenditures were not classified as prescribed by the Interstate Commerce Commission, but charged to some 130 different accounts. These were later segregated to the forty-eight Interstate Commerce Commission road and equipment accounts, a process which could not be accomplished without the overlapping of charges into accounts to which they were not properly chargeable; but the total was correctly carried through. In addition to these two classifications the books have been kept in different ways, and separate sets of books for the different owners or managements used. These facts, coupled with the unsatisfactory record of supporting documents, made it impracticable to check every charge, but many of the items, both large and small, were verified, and upon this indirect evidence the book charges were accepted by the Commission's engineering department. It was found that the company omitted from its original cost statement a portion of expenditures for additions and betterments made between December 30, 1911, and June 30, 1912. These charges are included in the engineering department's original cost statement.

I wish to call attention to the principal items of original cost of this property.

The total original cost of the land owned by this company, including right of way and station grounds and other real estate, is \$876,490.83. In the engineering department's report \$645,449.21 of this sum is considered as operative and \$231,041.62 as non-operative property. It appears that the acquirement of right of way was divided into three (3)

divisions, comprising the three counties traversed. In San Francisco the right of way and terminals were acquired by various agents; and the engineering department's investigation has led to the conclusion that this property was acquired in an inefficient manner and at an unusually high cost. Taking the company's San Francisco holdings as a whole, it is found that it paid almost twice the market value of the properties acquired. Considerable losses were also incurred through the abandonment of certain proposed alignment in San Francisco and terminals in Santa Cruz, where options and first payments on contracts were forfeited. In San Mateo and Santa Cruz counties the land prior to the entrance of the railroad was devoted to farming or grazing purposes. In San Mateo County 56 per cent of the total right of way was purchased at an average price equal to the market value of the land, and the remaining 44 per cent of the right of way was donated. In Santa Cruz County only 1 per cent of the right of way was donated. In the appraisal as submitted by the company the total area of the operative land is 448,640 acres, and the total cost is given at \$566,605.40. The non-operative land totals 45,879 acres, and the original cost is given as \$303,274.16. The Commission's engineering department finds the original cost of the operative right of way and station grounds to be \$645,449.21, which is equal to 12 per cent of the total cost of the road, and to \$12,019.54 per mile of operated line.

The largest single item in the total valuation is grading. The company submits for this item an original cost of \$2,303,982.70, while the engineering department finds the original cost to be \$2,315,925.73. These figures include the expenditures for all grading on the operative line, but do not include the grading done in "the gap," which is considered as non-operative. The latter figure equals 43 per cent of the total original cost of the entire property and amounts to \$43,127.11 per mile of road.

The overhead or general expenditures on this road, according to the engineering department's figures, amount to \$914,744.23, or \$17,040.34 per mile of operated road. This equals 17 per cent of the total original cost of the operative property, and is an unusually high figure. It appears, however, that all charges to this account are correct and proper, and a large porportion of this cost is accounted for by the extended litigation in which this company found itself and by the expenses connected therewith.

In the engineering department's valuation the original cost is discussed in detail for each account, and it does not appear necessary to repeat these details in this report. It will be noted, therefore, that the three items mentioned above, namely, land, grading and overhead expenses, constitute approximately three fourths of the total cost of this road. As a matter of fact, the present operated mileage has to carry the burden of the entire cost of both operative and non-operative

property; and considering that the total original cost of all property, according to the engineering department's investigations, amounts to \$5,656,508.95, it will be seen that the actual cost per mile is \$105,335.35. This figure more clearly than any statement shows the enormous waste connected with the construction of this property.

I am satisfied to accept the figure of the engineering department, and find as a fact that the original cost of the operative property of the Ocean Shore Railroad Company, as of June 30, 1912, is the sum of \$5,373,667.84.

#### 5. Reproduction Value.

The company in its appraisal states that the reproduction value of the operative property amounts to the sum of \$6,124,679.50. The engineering department in its valuation finds this value to be \$4,812,083.79, a difference of \$1,312,595.71. The reasons for this difference are taken up and explained in the detailed report of the engineering department, to which reference is hereby made. I will take up, however, the principal differences, which occur in the following accounts:

1. Grading, reduced by the engineering department.....	\$209,639 86
2. Interest, reduced by the engineering department.....	272,910.35
3. Other expenditures, reduced by the engineering department....	235,973 83
4. Contingencies, reduced by the engineering department.....	256,052 86

These items account for a total of \$974,585.90 out of the total given above, leaving for all other differences in forty-six other accounts and items an aggregate of \$338,009.81. The difference in grading is explained principally by the fact that the company extended original cost to reproduction value, including a large amount listed as the cost of force account work, *i. e.*, grading for which there exists no records of quantities. The engineering department has accepted the company's quantities when they were supported by contractors' estimates and other evidences of actual work performed, but has allowed such reproduction unit costs as seemed fair and just in this case. The item interest is reduced in the engineering department's estimate, because the company assumes a period of construction which the engineering department considers longer than necessary for the building of this road, and in this manner shortens the interest period. The company has also reproduced under reproduction value the excessive interest period on money due to the financial difficulties in which it passed the larger part of its existence. The engineering department has allowed interest at the rate of 5 per cent per year for one half of the estimated construction period of two years on all expenditures except those for right of way and station grounds. Interest on the latter has been allowed at 5 per cent per annum for a period of two years, on the grounds that the capital necessary for the purchase of lands will be tied up from the beginning to the end of the construction of the road. The third item, other expenditures, is also extended in the company's valuation with

the same amount from original cost to reproduction value. The charge consists principally of office salaries, executive officers' salaries, and expenses, bond sale expenses, assessment expenses, organization expenses, San Francisco debris track construction, and miscellaneous expenses. While these items are properly chargeable to original cost, they can not, in my opinion, be considered in their entirety as a proper item in the cost to reproduce this property. The engineering department has estimated that one half of 1 per cent of the total of Classes 3 to 53, as shown in "Exhibit D," is ample allowance for Interstate Commerce Commission Account 48, other expenditures, and I am inclined to agree with this contention. The last item of the important differences is contingencies. This difference is more apparent than real. In the engineering department's reproduction cost estimate an allowance for contingencies is included in the total for each individual account, while the company allows for this item in a lump sum; and it would appear that the engineering department's contingency allowance, therefore, is concealed as far as ready comparison is concerned. It may be stated, however, that the company allowed 5 per cent on the total of Classes 1 to 53 (see "Exhibit A"), while the engineering department's allowance is equal to 2.7 per cent on the sum of Classes 3 to 53 of "Exhibit D." The principal reasons for all other differences are found in the method of ascertaining and applying quantities and unit values.

The company made no exceptions to the methods employed by the Commission's engineering department and accepted its estimate of reproduction cost, and the engineering department's figure will be allowed to stand.

I find, therefore, as a fact that the reproduction value, as that term has heretofore been defined, of the operative property of the Ocean Shore Railroad Company, as of June 30, 1912, is the sum of \$4,812,083.79.

#### 6. Present Value.

The company found the present value of its operative property to be \$5,807,220.54, or equal to 94.8 per cent of the reproduction value. The engineering department's valuation shows the present value as \$4,627,319.40, or equal to 96 per cent of the reproduction value, resulting in a reduction of \$1,179,901.14. This difference, of course, is explained largely by the same factors which contributed to the reduction in reproductive value, as the estimate of the reproduction cost less depreciation is based on the reproduction cost. The company, on a whole, appears to have taken a position regarding depreciation with which the Commission's engineering department agrees, and differences in individual accounts are both higher and lower.

The method and basis used in ascertaining the depreciation of the various classes of property are set out in detail in connection with each account in the engineering department's report, on file with the Commission, to which reference is hereby made.

The mere statement that the present value of the operative property of this company, according to the engineering department's estimate, amounts to over \$86,000.00 per mile forcibly illustrates the importance of clear-cut definitions of terms. It is undoubtedly true that the depreciated reproduction value on the basis adopted amounts to that sum, but this can not possibly be taken as an indication that the estimate of fair or present value, as this term is usually understood, is anywhere near that sum. The latter value would take into consideration factors which are ignored in this physical valuation.

I find as a fact that the present value, as that term has heretofore been defined, of the operative property of the Ocean Shore Railroad Company, as of June 30, 1912, is the sum of \$4,627,319.40.

**Non-Operative Property.**

It has been stated heretofore that a part of this company's located line in San Mateo and Santa Cruz counties and of a length of approximately 26 miles is uncompleted, but that considerable work has been done and a large amount of expenditures made in connection therewith. In addition to the non-operative property on "the gap" there exists certain other non-operative property which is listed in detail in the engineering department's report. The engineering department has ascertained the actual expenditures for this non-operative property, but no attempt has been made to find a reproduction value or present value. The expenditures are listed, because this information may become of importance if at any time this road is completed and the entire cost of the line is to be ascertained. "Exhibit E," which is attached to this report, shows the total cost of the non-operative property ascertained by the Commission's engineering department as \$507,889.97.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of June, 1914.

## EXHIBIT "A."

## (Operative property by Company.)

Name of owner, Ocean Shore Railroad Company; operating company, same; divisions 1, 2 and 3; from San Francisco to Santa Cruz (excluding Gato) miles main line track, 55.69, miles yard tracks, etc., 12.96, total, 68.65. Valuation as of June 30, 1912; Company, field inspector; Company, office compiler. Date compiled, November 6, 1912.

Class No.	Div.	Subdiv.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....	\$566,605 40	\$1,192,125 05	100	\$1,192,125 05
2	2	3	Real estate .....				
3	3	4	Grading .....	2,303,982 70	2,303,982 70	100	2,303,982 70
4	4	5	Tunnels .....	72,748 57	72,748 57	97.5	70,834 36
5	5	6	Steel bridges and trusses.....				
6	6	6	Pile and frame trestles.....	144,257 63	123,396 78	70.4	86,919 51
7	7	6	Culverts .....	60,353 35	58,337 32	82.6	48,298 61
8	8	7	Ties .....	117,025 19	113,171 48	61.8	69,925 23
9	9	8	Rails .....	399,566 92	291,795 80	33.5	275,416 80
10	10	9	Frogs and switches .....	21,254 54	20,280 10	81.6	16,352 78
11	11	10	Track fastenings and other material.....	43,791 92	42,950 12	93.6	40,269 73
12	12	11	Ballast .....	11,145 29	12,784 88	100	12,784 88
13	13	12	Tracklaying and surfacing.....	159,341 65	113,355 00	100	113,355 00
14	14	13	Roadway tools .....	1,661 63	1,661 63	65.8	1,095 73
15	15	14	Fencing right of way .....	14,669 37	13,878 65	72.1	9,545 17
16	16	15	Crossings and signs .....	91,141 78	87,037 46	92.6	80,616 07
17	17	16	Interlocking plants .....				
18	18	16	Signal apparatus .....				
19	19	17	Telegraph and telephone lines.....	7,639 22	7,978 08	80	6,382 46
20	20	18	Station buildings and fixtures.....	19,680 92	12,507 73	82.3	10,290 00
21	21	18	Platforms, walks, paving and curb .....				
22	22	19	General office buildings and fixtures.....	15,358 72	9,851 80	82.8	8,052 64
23	23	20	Shop buildings and engine houses .....	460 35	475 00	89.5	425 00
24	24	20	Transfer and turntables, cinder pits, etc., .....				
25	25	20	Miscellaneous shop buildings and structures .....				
26	26	21	Shop machinery and tools .....	12,236 02	11,816 00	80	9,452 80
27	27	22	Water stations .....	19,133 88	26,680 67	58.8	15,658 75
28	28	23	Fuel stations .....	3,700 34	3,634 31	78.9	2,864 96
29	29	24	Grain elevators .....	4,339 41	5,120 00	70.7	3,613 25
30	30	25	Storage warehouses .....				
31	31	26	Dock and wharf property .....				
32	32	27	Electric light plants .....				
33	33	28	Electric power plants .....				
34	34	29	Electric power transmission .....				
35	35	30	Gas producing plants .....	31,616 95	20,520 25	80	16,416 20
36	36	31	Miscellaneous structures .....				
			Total classes 1 to 33, inclusive .....	3,096 43	3,096 43	84.9	2,604 17
37	..	1	Engineering, .. per cent, 1 to 36, inclusive .....	\$4,028,458 18	\$4,552,368 11	96.6	\$4,397,531 85
38	37	32	Transportation of men and material .....	174,966 63	174,966 63	100	174,966 63
39	38	33	Rent of equipment .....				
40	38	34	Repairs of equipment .....				
41	..	35	Earning and operating expenses during construction .....	9,842 99	9,842 99	100	9,842 99
42	..	35	Injuries to persons .....	32,872 78			
43	..	36	Cost of road purchased .....	5,171 52			
			Total classes 1 to 43, inclusive .....	\$4,251,342 10	\$4,737,297 73	96.7	\$4,582,371 47
44	39	37	Steam locomotives .....	84,848 46	106,700 00	44.7	47,775 00
45	..	38	Electric locomotives .....	35,263 22	36,000 00	61.2	22,000 00
46	40	39	Passenger train cars .....	97,962 16	108,200 00	53.7	58,050 00
47	41	40	Freight train cars .....	46,659 54	69,075 00	45.7	31,550 00
48	42	41	Work equipment .....	1,119 60	2,893 35	81.7	2,340 65
49	43	42	Floating equipment .....				
			Total classes 1 to 49, inclusive .....	\$4,517,255 08	\$5,060,016 08	93.7	\$4,744,087 12
50	..	43	Law expenses, .. per cent classes 1 to 35, inclusive .....	41,822 15	41,822 15	100	41,822 15
51	44	41	Stationery and printing .....	657 33	657 33	100	657 33
52	44	45	Insurance .....	5,797 28	5,797 28	100	5,797 28
53	45	46	Taxes .....	12,734 44	12,734 44	100	12,734 44
			Total classes 1 to 53, inclusive .....	\$4,578,266 28	\$5,121,657 28	93.8	\$4,805,098 32
54	..	47	Interest and commission, .. per cent, classes 1 to 53, inclusive .....	445,509 17	445,509 17	100	445,509 17
55	45	48	Other expenditures .....	253,232 81	253,232 81	100	253,232 81
56	..	..	Contingencies, .. per cent, classes 1 to 53, inclusive .....		256,052 86	100	256,052 86
57	46	..	Stores and supplies on hand for use in California .....	49,742 19	48,827 38	96.9	47,327 38
			Grand total .....	\$5,326,756 45	\$6,124,679 50	94.8	\$5,807,220 54
			Average per mile for main line track.....	96,213 08	114,074 87	94.8	108,162 03



## EXHIBIT "B."

## (Non-operative property.)

Name of owner, Ocean Shore Railroad Company; operating company, same; from San Francisco to Santa Cruz, miles main line track, 53.69; miles yard tracks, etc., 12.96; total, 66.65.  
Valuation as of June 30, 1912. Company, field inspector; Company, office compiler. Date compiled, November, 1912.

Class No.	Form No.	I. C. C. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds	\$148,772 66	Contingent expenditures		
2	2	3	Real estate	154,501 50	\$263,141 25		\$234,693 04
3	3	4	Grading				
4	4	5	Tunnels				
5	5	6	Steel bridges and trusses				
6	6	6	Pile and frame trestles	30,088 87	Required by S. F. city franchise		
7	7	6	Culverts	8,000 00	Abandoned		
8	8	7	Ties				
9	9	8	Rails				
10	10	9	Frogs and switches				
11	11	10	Track fastenings and other material				
12	12	11	Ballast				
13	13	12	Tracklaying and surfacing				
14	14	13	Roadway tools	696 91	Abandoned		
15	15	14	Fencing right of way				
16	16	15	Crossings and signs				
17	17	16	Interlocking plants				
18	18	16	Signal apparatus				
19	19	17	Telegraph and telephone lines				
20	20	18	Station buildings and fixtures				
21	21	18	Platforms, walks, paving and curb				
22	22	19	General office buildings and fixtures				
23	23	20	Shop buildings and engine houses	297 78	Abandoned		
24	24	20	Transfer and turntables, cinder pits, etc.				
25	25	20	Miscellaneous shop buildings and structures				
26	26	21	Shop machinery and tools				
27	27	22	Water stations	4,721 82	Abandoned		
28	28	23	Fuel stations	1,096 72	Abandoned		
29	29	24	Grain elevators				
30	30	25	Storage warehouses				
31	31	26	Dock and wharf property	56 77	Abandoned		
32	32	27	Electric light plants				
33	33	28	Electric power plants	52,637 73	Abandoned		
34	34	29	Electric power transmission				
35	35	30	Gas producing plants				
36	36	31	Miscellaneous structures				
37	--	1	Total classes 1 to 36, inclusive	\$400,890 76	\$263,141 25		\$234,693 04
38	37	32	Engineering, .. per cent, 1 to 36, inclusive				
39	38	33	Transportation of men and material				
40	38	34	Rent of equipment				
41	--	35	Repairs of equipment				
42	--	35	Earning and operating expenses during construction				
43	--	35	Injuries to persons				
44	--	36	Cost of road purchased				
44	36	37	Total classes 1 to 43, inclusive	\$400,890 76	\$263,141 25		\$234,693 04
45	--	38	Steam locomotives				
46	40	39	Electric locomotives				
47	41	40	Passenger train cars	19,055 56	Abandoned		
48	42	41	Freight train cars	4,067 26	Abandoned		
49	43	42	Work equipment				
50	--	43	Floating equipment				
50	--	43	Total classes 1 to 49, inclusive	\$424,013 58	\$263,141 25		\$234,693 04
51	44	44	Law expenses, .. per cent, classes 1 to 36, inclusive				
52	44	45	Stationery and printing				
53	45	46	Insurance				
54	--	47	Taxes				
54	--	47	Total classes 1 to 53, inclusive	\$424,013 58	\$263,141 25		\$234,693 04
55	45	48	Interest and commission, .. per cent, classes 1 to 53, inclusive				
56	--	48	Other expenditures	27,639 80	S. F. debris track abandoned		
57	--	49	Contingencies, .. per cent, classes 1 to 53, inclusive				
57	46	--	Stores and supplies on hand for use in California				
			Grand total	\$451,653 38	\$263,141 25		\$234,693 04
			Average per mile for main line track				

## EXHIBIT "C."

Name of owner, Ocean Shore Railroad Company; operating company, same; divisions 1, 2 and 3; from San Francisco to Santa Cruz (excluding Gap); miles main line track, 53.63; miles yard tracks, etc., 12.93; total, 66.55. Valuation as of June 30, 1912. Company, field inspector; Company, office compiler. Date compiled, November 6, 1912.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
1	1	2	Right of way and station grounds.....	\$715,378 06	\$1,192,125 05	100	\$1,192,125 05
2	2	3	Real estate.....	154,501 50	263,141 25		234,633 04
3	3	4	Grading.....	2,893,982 70	2,363,982 70	100	2,363,982 70
4	4	5	Tunnels.....	72,748 57	72,748 57	7.5	70,834 36
5	5	6	Steel bridges and trusses.....				
6	6	6	Pile and frame trestles.....	174,346 50	123,306 78	70.4	86,919 51
7	7	6	Culverts.....	68,353 35	58,337 32	82.6	48,208 61
8	8	7	Ties.....	117,025 19	113,171 48	61.8	69,925 23
9	9	8	Rails.....	339,596 92	294,795 80	33.5	275,416 80
10	10	9	Frogs and switches.....	21,254 54	20,280 10	81.6	16,552 78
11	11	10	Track fastenings and other material.....	43,701 92	42,059 12	33.6	40,209 73
12	12	11	Ballast.....	14,145 29	12,584 88	100	12,784 88
13	13	12	Tracklaying and surfacing.....	159,341 65	113,555 00	100	113,555 00
14	14	13	Roadway tools.....	2,358 54	1,061 63	65.8	1,095 73
15	15	14	Fencing right of way.....	14,409 37	13,878 95	72.1	9,545 17
16	16	15	Crossings and signs.....	91,141 78	87,037 46	92.6	80,616 07
17	17	16	Interlocking plants.....				
18	18	16	Signal apparatus.....				
19	19	17	Telegraph and telephone lines.....	7,639 22	7,978 08	80	6,382 46
20	20	18	Station buildings and fixtures.....	10,680 92	12,507 73	82.3	10,230 00
21	21	18	Platforms, walks, paving and curb.....				
22	22	19	General office buildings and fixtures.....	15,358 72	9,834 80	82.8	8,052 64
23	23	20	Shop buildings and engine houses.....	758 13	475 00	89.5	425 00
24	24	20	Transfer and turntables, cinder pits, etc.....				
25	25	20	Miscellaneous shop buildings and structures.....				
26	26	21	Shop machinery and tools.....	12,236 02	11,816 00	80	9,452 80
27	27	22	Water stations.....	19,133 88	26,680 67	58.8	15,658 75
28	28	23	Fuel stations.....	8,422 16	3,631 31	78.9	2,864 96
29	29	24	Grain elevators.....	5,436 13	5,120 00	70.7	3,613 25
30	30	25	Storage warehouses.....				
31	31	26	Dock and wharf property.....	56 77	Abandoned		
32	32	27	Electric light plants.....				
33	33	28	Electric power plants.....	52,657 73	Abandoned		
34	34	29	Electric power transmission.....	31,646 95	20,520 25	80	16,416 20
35	35	30	Gas producing plants.....				
36	36	31	Miscellaneous structures.....	3,066 43	3,066 43	81.9	2,604 17
37	37	1	Total classes 1 to 36, inclusive.....	\$4,429,348 94	\$4,815,509 36	96.2	\$4,632,324 80
38	38	32	Engineering, 3.7 per cent, 1 to 36, inclusive.....	174,996 63	174,996 63	100	174,996 63
39	39	33	Transportation of men and material.....				
40	40	34	Repairs of equipment.....	9,842 99	9,842 99	100	9,842 99
41	41	35	Earning and operating expenses during construction.....	32,872 78			
42	42	35 1/2	Injuries to persons.....	5,171 52			
43	43	36	Cost of road purchased.....				
44	44	37	Total classes 1 to 43, inclusive.....	\$4,652,232 86	\$5,000,248 98	96.3	\$4,817,034 51
45	45	38	Steam locomotives.....	84,848 46	106,700 00	44.7	47,775 00
46	46	39	Electric locomotives.....	35,233 22	36,000 00	61.2	22,000 00
47	47	40	Passenger train cars.....	97,962 16	108,200 00	53.7	58,050 00
48	48	41	Freight train cars.....	65,715 10	69,075 00	45.7	31,550 00
49	49	42	Work equipment.....	5,216 86	2,833 35	81.7	2,340 65
50	50	43	Floating equipment.....				
51	51	44	Total classes 1 to 49, inclusive.....	\$4,941,268 66	\$5,323,187 33	93.6	\$4,978,780 16
52	52	44	Law expenses, .93 per cent, classes 1 to 36, inclusive.....	41,822 15	41,822 15	100	41,822 15
53	53	45	Stationery and printing.....	657 33	657 33	100	657 33
54	54	46	Insurance.....	5,797 28	5,797 28	100	5,797 28
55	55	46	Taxes.....	12,734 44	12,734 44	100	12,734 44
56	56	47	Total classes 1 to 53, inclusive.....	\$5,002,270 86	\$5,384,198 53	93.6	\$5,039,791 36
57	57	48	Interest and commission, 8.8 per cent, classes 1 to 53, inclusive.....	445,509 17	445,509 17	100	445,509 17
58	58	49	Other expenditures.....	280,872 71	233,232 81	100	233,232 81
59	59	50	Contingencies, . . . per cent, classes 1 to 53, inclusive.....		256,052 86	100	256,052 86
60	60	51	Stores and supplies on hand for use in California.....	49,742 19	48,827 38	96.9	47,327 38
61	61	52	Grand total.....	\$5,778,403 93	\$6,387,820 75	94.6	\$6,041,913 58
62	62	53	Average per mile for main line track.....	107,625 33	118,975 98	94.6	112,533 32

## EXHIBIT "D."

Owning company, Ocean Shore Railroad Company; operating company, same; valuation unit, entire operative line from Mission street to Tunitas and Santa Cruz to Swanton; counties, San Francisco, San Mateo and Santa Cruz.  
Valuation as of June 30, 1912. Submitted with report of H. G. Weeks. Date compiled, January 8, 1914.  
Main line track, 53.79 miles; yard tracks, sidings, etc., 12.85 miles; total, 66.55 miles.

Class No.	Form No.	I. C. C. Acct. No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	1	1	Engineering	\$180,971 41	\$151,813 57	100	\$151,813 57
1	2	2	Right of way and station grounds	645,449 21	1,137,611 29	100	1,137,611 29
2	3	3	Real estate				
3	4	4	Grading	2,515,925 73	2,094,342 84	102	2,135,387 05
4	5	5	Tunnels	72,748 57	44,600 64	91	40,684 60
5	6	6	Steel bridges and trusses				
6	6	6	Pile and frame trestles	144,257 63	108,847 68	70	78,649 77
7	7	7	Culverts	64,503 86	55,112 50	86	47,466 26
8	8	8	Ties	117,320 24	95,796 31	50	56,419 12
9	9	9	Rails	310,385 28	284,505 65	92	261,253 77
10	10	10	Frogs and switches	21,391 75	16,981 57	60	10,251 76
11	11	11	Track fastenings and other material	43,844 01	42,304 17	82	34,825 10
12	12	12	Ballast	14,145 29	9,644 12	100	9,644 12
13	13	13	Tracklaying and surfacing	159,876 56	92,171 31	82	76,146 77
14	14	14	Roadway tools	1,607 33	1,607 33	67	1,074 15
15	15	15	Fencing right of way	14,409 37	13,974 42	69	9,587 57
16	16	16	Crossings and signs	91,141 78	80,038 46	90	72,000 67
17	17	17	Interlocking plants				
18	18	18	Signal apparatus				
19	19	19	Telegraph and telephone lines	7,639 21	8,339 57	76	6,325 21
20	20	20	Station buildings and fixtures		14,123 88	80	11,307 13
21	21	21	Platforms, walks, paving and curb	10,695 92	2,503 49	75	1,865 62
22	22	22	General office buildings and fixtures	12,181 13	10,003 38	81	8,118 34
23	23	23	Shop buildings and engine houses	12,700 37	8,858 88	79	6,987 77
24	24	24	Transfer and turntables, cinder pits, etc.				
25	25	25	Miscellaneous shop buildings and structures		4,676 71	77	3,596 51
26	26	26	Shop machinery and tools	18,486 53	21,800 33	69	15,018 51
27	27	27	Water stations	3,700 34	3,179 56	80	2,534 53
28	28	28	Fuel stations	3,490 08	3,971 88	72	2,875 10
29	29	29	Grain elevators				
30	30	30	Storage warehouses				
31	31	31	Deck and wharf property				
32	32	32	Electric light plants				
33	33	33	Electric power plants				
34	34	34	Electric power transmission	31,841 92	14,538 00	81	10,667 56
35	35	35	Gas producing plants				
36	36	36	Miscellaneous structures	3,006 43	4,252 65	60	3,356 29
37	37	37	Transportation of men and material				
38	38	38	Rent of equipment				
39	39	39	Repairs of equipment	9,842 99			
40	40	40	Earning and operating expenses during construction	32,872 78			
41	41	41	Injuries to persons	5,171 52			
42	42	42	Cost of road purchased				
43	43	43	Steam locomotives	74,826 76	74,078 00	81	59,755 00
44	44	44	Electric locomotives	35,293 22	32,320 00	83	26,887 00
45	45	45	Passenger train cars	96,841 12	75,977 00	83	63,229 00
46	46	46	Freight train cars	48,912 58	48,718 00	68	33,672 00
47	47	47	Work equipment	1,874 58	2,255 68	78	1,753 11
48	48	48	Floating equipment				
49	49	49	Law expenses	40,100 38	30,362 72	100	30,362 72
50	50	50	Stationery and printing	635 04			
51	51	51	Insurance	6,234 28			
52	52	52	Taxes	11,648 10			
53	53	53	Interest and commission	430,151 30	172,589 82	100	172,589 82
54	54	54	Other expenditures	244,673 72	17,258 98	100	17,258 98
55	55	55	Stores and supplies on hand for use in California	32,459 52	32,827 31	87	28,561 01
56	56	56	Grand total	\$5,373,697 84	\$4,812,083 79	96	\$4,627,310 40
57	57	57	Average per mile for main track	100,068 30	89,610 50	96	86,160 82
			Total "Road" I. C. C. Accounts, 1-38, inclusive	\$4,349,687 24	\$4,325,696 28	97	\$4,196,716 75
			Total "Equipment" I. C. C. Accounts, 39-42, inclusive	257,748 26	233,348 68	79	184,830 11
			Total "General" I. C. C. Accounts, 43-48, inclusive	733,772 82	220,211 52	100	220,211 52
			Total Non-operative property (not included in above total)	282,841 11	118,504 10	89	106,104 10
			Total Land-Class (operative and non-operative)	809,690 56	1,232,865 39	100	1,232,865 39
			Total operative and non-operative property	5,656,508 95	4,930,587 89	96	4,733,423 30

## EXHIBIT "E."

(Non-operative property.)

Owning company, Ocean Shore Railroad Company; operating division, non-operative; valuation unit, "The Gap," from Tunitas to Scott Creek, counties, San Mateo and Santa Cruz.  
Valuation as of June 30, 1912. Submitted with report of H. G. Weeks. Date compiled, January, 1914.  
Total line, 26.56 miles.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	1	1	Engineering .....	\$80,733 56			
1	1	2	Right of way and station grounds .....	6,791 27			
2	2	3	Real estate .....				
3	3	4	Grading .....	378,727 11			
4	4	5	Tunnels .....	7,045 53			
5	5	6	Steel bridges and trusses .....				
6	6	6	Pile and frame trestles .....	6,705 51			
7	7	6	Culverts .....	3,802 44			
8	8	7	Ties .....				
9	9	8	Rails .....				
10	10	9	Frogs and switches .....				
11	11	10	Track fastenings and other material .....				
12	12	11	Ballast .....				
13	13	12	Tracklaying and surfacing .....				
14	14	13	Roadway tools .....				
15	15	14	Fencing right of way .....	91 91			
16	16	15	Crossings and signs .....				
17	17	16	Interlocking plants .....				
18	18	13	Signal apparatus .....				
19	19	17	Telegraph and telephone lines .....				
20	20	18	Station buildings and fixtures .....	125 00			
21	21	18	Platforms, walks, paving and curb .....				
22	22	19	General office buildings and fixtures .....				
23	23	20	Shop buildings and engine houses .....				
24	24	20	Transfer and turntables, chlder pits, etc. .....				
25	25	20	Miscellaneous shop buildings and structures .....				
26	26	21	Shop machinery and tools .....				
27	27	22	Water stations .....				
28	28	23	Fuel stations .....				
29	29	24	Grain elevators .....				
30	30	25	Storage warehouses .....				
31	31	26	Deck and wharf property .....				
32	32	27	Electric light plants .....				
33	33	28	Electric power plants .....				
34	34	29	Electric power transmission .....				
35	35	30	Gas producing plants .....				
36	36	31	Miscellaneous structures .....				
37	37	32	Transportation of men and material .....				
38	38	33	Rent of equipment .....				
39	39	34	Repairs of equipment .....				
40	40	35	Earning and operating expenses during construction .....				
41	41	35	Injuries to persons .....				
42	42	36	Cost of road purchased .....				
43	43	37	Steam locomotives .....				
44	44	38	Electric locomotives .....				
45	45	39	Passenger train cars .....				
46	46	40	Freight train cars .....				
47	47	41	Work equipment .....				
48	48	42	Floting equipment .....				
49	49	43	Law expenses .....	4,281 17			
50	50	44	Stationery and printing .....	64 92			
51	51	45	Insurance .....	115 06			
52	52	46	Taxes .....	408 10			
53	53	47	Interest and commission .....	43,901 34			
54	54	48	Other expenditures .....	24,954 05			
55	55	43	Stores and supplies on hand for use in California .....				
56	56	--	Grand total .....	\$507,889 97		Not	reprod used
57	57	--	Average per mile for main track .....				

NOTE.—Included in Form 48, Volume VI.

## EXHIBIT "F."

## (Non-operative and operative.)

Owning company, Ocean Shore Railroad Company; operating company, same; operating division and "The Gap"; valuation unit, operative and non-operative; from San Francisco to Santa Cruz; counties, San Francisco, San Mateo and Santa Cruz.

Valuation as of June 30, 1912. Submitted with report of H. G. Weeks. Dated compiled, January 8, 1914. Operative, 53.70 miles; non-operative, 26.56 miles.

Class No.	Form No.	I. C. C. Act No.	Classes	Original cost	Reproduction value	Cond. per cent	Present value
37	--	1	Engineering .....	\$215,515 24			
1	1	2	Right of way and station grounds .....	645,449 21			
2	2	3	Real estate .....	231,041 02			
3	3	4	Grading .....	2,697,684 27			
4	4	5	Tunnels .....	79,814 10			
5	5	6	Steel bridges and trusses .....				
6	6	6	Pile and frame trestles .....	151,053 14			
7	7	6	Culverts .....	68,306 30			
8	8	7	Ties .....	117,320 24			
9	9	8	Rails .....	310,385 28			
10	10	9	Frogs and switches .....	21,391 75			
11	11	10	Track fastenings and other material .....	43,844 01			
12	12	11	Ballast .....	14,145 29			
13	13	12	Tracklaying and surfacing .....	159,876 56			
14	14	13	Roadway tools .....	1,607 33			
15	15	14	Fencing right of way .....	14,501 28			
16	16	15	Crossings and signs .....	91,141 78			
17	17	16	Interlocking plants .....				
18	18	16	Signal apparatus .....				
19	19	17	Telegraph and telephone lines .....	7,639 21			
20	20	18	Station buildings and fixtures .....	10,820 92			
21	21	18	Platforms, walks, paving and curb .....				
22	22	19	General office buildings and fixtures .....	12,181 13			
23	23	20	Shop buildings and engine houses .....	12,700 37			
24	24	20	Transfer and turntables, cinder pits, etc. ....				
25	25	20	Miscellaneous shop buildings and structures .....				
26	26	21	Shop machinery and tools .....	18,483 53			
27	27	22	Water stations .....	3,700 34			
28	28	23	Fuel stations .....	3,490 08			
29	29	24	Grain elevators .....				
30	30	25	Storage warehouses .....				
31	31	26	Dock and wharf property .....				
32	32	27	Electric light plants .....				
33	33	28	Electric power plants .....				
34	34	29	Electric power transmission .....	31,861 92			
35	35	30	Gas producing plants .....				
36	36	31	Miscellaneous structures .....	3,006 43			
37	37	32	Transportation of men and material .....				
38	38	33	Rent of equipment .....				
39	39	34	Repairs of equipment .....	9,812 99			
40	40	35	Earning and operating expenses during construction .....	32,872 78			
41	--	35	Injuries to persons .....	5,171 52			
42	--	36	Cost of road purchased .....				
43	--	37	Steam locomotives .....	74,826 76			
44	39	37	Electric locomotives .....	35,293 22			
45	--	38	Passenger train cars .....	96,841 12			
46	40	39	Freight train cars .....	48,912 58			
47	41	40	Work equipment .....	1,874 58			
48	42	41	Floating equipment .....				
49	43	42	Law expenses .....	46,237 62			
50	--	43	Stationery and printing .....	726 73			
51	44	44	Insurance .....	6,409 34			
52	44	45	Taxes .....	13,112 54			
53	45	46	Interest and commission .....	192,544 84			
54	--	47	Other expenditures .....	279,068 45			
55	46	--	Stores and supplies on hand for use in California .....	52,709 52			
56	--	--	Grand total .....	\$6,164,388 92			
57	--	--	Average per mile for main track .....				

NOTE.—The above is simply the total accounting record cost of all the expenditures for "Road" and "Equipment" made by the company, including "The Gap" and all other operative, non-operative property. It is the total of Form 48, Volumes IV and V.

DECISION No. 1621.  
CITY OF PIEDMONT  
vs.  
SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS.

---

Case No. 542.

*Decided June 29, 1914*

---

REPORT OF THE COMMISSION.

ORDER OF DISMISSAL.

A stipulation entered into by both parties to this proceeding having been filed with the Commission requesting that the above entitled proceeding be dismissed.

*It is hereby ordered* that the above entitled proceeding be and the same hereby is dismissed without prejudice.

By order of the Railroad Commission.

Dated at San Francisco, California, this 29th day of June, 1914.

---

DECISION No. 1622.

IN THE MATTER OF THE APPLICATION OF SOUTHERN  
COUNTIES GAS COMPANY OF CALIFORNIA FOR AU-  
THORITY TO ISSUE BONDS.

---

Application No. 668.

*Decided June 29, 1914.*

---

REPORT OF THE COMMISSION.

ORDER OF DISMISSAL.

At the hearing upon this application on June 29, 1914, Southern Counties Gas Company of California having requested that the application be dismissed,

*It is hereby ordered* that the above entitled application be and the same hereby is dismissed.

By order of the Railroad Commission.

Dated at San Francisco, California, this 29th day of June, 1914.

## DECISION No. 1623.

IN THE MATTER OF THE APPLICATION OF SOUTHERN  
COUNTIES GAS COMPANY OF CALIFORNIA FOR AU-  
THORITY TO ISSUE BONDS.

---

Application No. 1199.

*Decided June 29, 1914.*

---

## REPORT OF THE COMMISSION.

## ORDER OF DISMISSAL.

At the hearing upon this application on June 29, 1914, Southern Counties Gas Company of California having requested that the application be dismissed,

*It is hereby ordered* that the above entitled application be and the same hereby is dismissed.

By order of the Railroad Commission.

Dated at San Francisco, California, this 29th day of June, 1914.

## DECISION No. 1624.

IN THE MATTER OF THE APPLICATION OF PACIFIC ELECTRIC RAILWAY COMPANY FOR PERMISSION TO PERFORM AND CARRY OUT CONTRACT FOR JOINT OCCUPATION OF TRACKS OF GLENDALE AND MONTROSE RAILWAY AND FOR APPROVAL THEREOF WITH REFERENCE TO TRACKS ON BROADWAY, BETWEEN GLENDALE AVENUE AND BRAND BOULEVARD, IN THE CITY OF GLENDALE, LOS ANGELES COUNTY, CALIFORNIA.

---

Application No. 1139.

*Decided June 29, 1914.*

---

Application of the Pacific Electric Railway Company for the approval of a contract permitting the joint use of tracks of the Glendale and Montrose Railway Company in the city of Glendale, granted; provided, that such approval does not act to the exclusion of third parties which may desire like privileges under similar circumstances.

*Frank Karr*, for Applicant.

*W. E. Evans*, city attorney, for City of Glendale.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

This is an application on the part of Pacific Electric Railway Company for the approval of the Commission to a certain contract between Pacific Electric Railway Company and Glendale and Montrose Railway, copy of which accompanies the application, permitting Pacific Electric Railway Company and Glendale and Montrose Railway to use jointly two (2) tracks in the city of Glendale, Los Angeles County, California, on Broadway, between Glendale avenue and Brand boulevard, one of these tracks being owned by the Pacific Electric Railway Company and one by Glendale and Montrose Railway, as shown by the map accompanying the application.

This application was filed on May 18, 1914, and on June 26, 1914, a hearing was held in Glendale, at which the interested parties were represented. It appears that the arrangement covered by the contract is mutually agreeable to the contracting parties; meets with the approval of the city of Glendale, and will greatly add to the convenience of the traveling public in the city of Glendale and vicinity, and that the application should be granted.

It should be understood, however, that the granting of this application does not commit this Commission to the approval of exclusive privilege on the part of either the Pacific Electric Railway Company nor Glendale and Montrose Railway to the use of the facilities of the other. If hereafter a third agency should apply for similar privilege under like conditions, the Commission reserves the right to require either the granting of such application or the elimination of the contract covered by this application.

I submit the following order:

**ORDER.**

Pacific Electric Railway Company having applied to this Commission for the approval of a certain contract, a copy of which is attached to the application, and which has been mentioned in the opinion hereto; and a hearing having been held, and it appearing that public convenience will be served by the granting of this application,

*It is hereby ordered* that said application be and the same is hereby granted. This approval, however, to be subject to revocation at any time when it shall appear to this Commission that public convenience and necessity do not require it further to be carried out.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of June, 1914.



## DECISION No. 1625.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN  
LIGHT AND POWER CORPORATION FOR AN ORDER AU-  
THORIZING THE ISSUE OF PROMISSORY NOTES AND  
BONDS.

---

Application No. 992.*Decided June 29, 1914.*

---

San Joaquin Light and Power Corporation authorized to renew three certain promissory notes, aggregating the total face value of \$200,000.00.

## REPORT OF THE COMMISSION.

## SECOND SUPPLEMENTAL ORDER.

Whereas the time for which the three notes hereinafter referred to which were issued under this Commission's order of March 2, 1914, in the above entitled proceeding, has expired, and San Joaquin Light and Power Corporation desires to renew said notes,

*It is hereby ordered* that San Joaquin Light and Power Corporation be and the same is hereby authorized to issue its three promissory notes, each bearing interest at the rate of 6 per cent per annum, for a term not to exceed one year, as follows:

(a) Note payable to Wells Fargo Nevada National Bank, amount \$75,000.00.

(b) Note payable to Wells Fargo Nevada National Bank, amount \$75,000.00.

(c) Note payable to Union Trust Company of San Francisco, amount \$50,000.00, on the following conditions and not otherwise, to wit:

1. Said notes shall be issued so as to net San Joaquin Light and Power Corporation, in cash, not less than the face value thereof.

2. San Joaquin Light and Power Corporation shall use the proceeds from said notes only for the purpose of refunding existing notes in the same amounts, payable to the same payees, which notes were issued under this Commission's order in the above entitled proceeding, dated March 2, 1914.

3. San Joaquin Light and Power Corporation shall within ten days after their issue, report to the Commission the fact and the date of the issue of said notes, and the purposes to which the proceeds were applied.

4. The authority hereby given to issue promissory notes shall apply only to notes issued prior to August 1, 1914.

Dated at San Francisco, California, this 29th day of June, 1914.

## DECISION No. 1626.

## IN THE MATTER OF THE APPLICATION OF PEOPLES WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF NOTES AND THE ISSUE AND PLEDGE OF BONDS AS COLLATERAL SECURITY THEREFOR.

---

Application No. 1110.*Decided June 29, 1914.*

---

Application of the Peoples Water Company petitioning the Commission to amend its original order in the above entitled proceeding, by rescinding that portion of the order in which applicant was authorized to issue notes for the purpose, among others, of paying interest upon its bonds, which interest it does not now desire to pay, thereby relieving applicant of the payment of a portion of the fee required in connection with such authorization, granted.

## REPORT OF THE COMMISSION.

## SUPPLEMENTAL OPINION.

THELEN, *Commissioner*.

In its order in the above entitled proceeding, dated June 4, 1914, this Commission provided, in part, that Peoples Water Company might issue its 5 per cent thirty-year bonds, of the issue of January 2, 1907, secured by deed of trust to Mercantile Trust Company of San Francisco, for the purpose of being used as collateral security for promissory notes, and for the notes which the company might have to execute to secure funds wherewith to pay the bond interest payable on July 1, 1914, but only at a ratio of not to exceed \$2.50 in bonds to \$1.00 in notes, and only in such amount that the total of applicant's bonds of this issue outstanding shall not exceed the total amount outstanding in the hands of the public and pledged as collateral security for loans on March 23, 1912, which total amounts to \$13,697,000.00.

Peoples Water Company, under the advice of its refunding committee, has now determined to default on its bond interest, payable on July 1, 1914, for the purpose of forcing the necessary reorganization of applicant's financial structure. As a result, no money will be paid on bond interest due on July 1, 1914, and no notes for any such money will be necessary and no bonds as collateral security for such notes need be issued. It follows that Peoples Water Company will need fewer bonds than those heretofore applied for, and that the fee which the company will be required to pay before it can avail itself of the Commission's order will be proportionately decreased.

Peoples Water Company accordingly now asks that the order made on June 4, 1914, be modified so as to authorize the issue of such bonds only as collateral as were issued and outstanding as collateral on May 21, 1914. These bonds include 305 bonds which were pledged with First

National Bank of Oakland as collateral for the payment of notes given for moneys used to pay bond interest. As no new notes will be given for this purpose until the reorganization has been effected, it will not be necessary to continue the use of these bonds for this purpose. When they are returned to the treasury as the notes which they secure are paid, *pare passu*, they should remain in the treasury until the further order of this Commission. I accordingly recommend that the order made in the above entitled proceeding on June 4, 1914, be amended so as to authorize the issue by Peoples Water Company, as collateral security for promissory notes, of only the amount of bonds which were outstanding for that purpose on May 21, 1914, less the 305 bonds on that day held by First National Bank of Oakland.

For the purpose of estimating the fee in this case, the amount of bonds which Peoples Water Company may reissue may be taken to be 6,402, less 305, or a total of 6,097 bonds. The exact number of bonds outstanding as collateral security on May 21, 1914, is somewhat uncertain, because of the possibility that some of these bonds may have been foreclosed prior to said date without the knowledge of Peoples Water Company. The purpose of this order is to authorize the continued use of such bonds as were still outstanding as collateral on May 21, 1914, less the 305 bonds held by the First National Bank of Oakland.

I submit herewith the following form of supplemental order:

**SUPPLEMENTAL ORDER.**

*It is hereby ordered* that section 3 of the order in the above entitled proceeding, dated June 4, 1914, be and the same is hereby amended to read as follows:

“ 3. Peoples Water Company may issue its said 5 per cent thirty-year bonds of the issue of January 2, 1907, secured by deed of trust to Mercantile Trust Company of San Francisco, for the purpose of being used as collateral security for the promissory notes herein authorized, but only at a ratio of not to exceed \$2.50 in bonds to \$1.00 in notes, and only in the aggregate amount of the bonds outstanding as collateral security on May 21, 1914, less 305 bonds held by First National Bank of Oakland. For the purpose of estimating the fee to be paid in this proceeding, the bonds which applicant is authorized to issue may be taken to be bonds of the face value of \$6,097,000.00.”

In all other respects said order of June 4, 1914, shall remain in full force and effect.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of June, 1914.

## DECISION No. 1627.

IN THE MATTER OF THE APPLICATION OF TITLE GUARANTEE AND TRUST COMPANY AS TRUSTEE FOR THE BONDHOLDERS OF GLENDALE CONSOLIDATED WATER COMPANY, AND OF RALPH ROGERS FOR LEAVE TO SELL TO THE CITY OF LOS ANGELES AND OF THE CITY OF LOS ANGELES TO PURCHASE THE WATER SYSTEMS OF TITLE GUARANTEE AND TRUST COMPANY AND RALPH ROGERS, LOCATED PRINCIPALLY WITHIN THE CORPORATE LIMITS OF THE CITY OF LOS ANGELES.

---

Application No. 1187.

*Decided June 29, 1914.*

---

Application of the Title Guarantee and Trust Company, as trustees, and Ralph Rogers to sell to the city of Los Angeles for the sum of \$19,375.00, certain water distributing systems serving territory within the city of Los Angeles and adjacent thereto, granted, provided that the city council shall continue service to present consumers located outside the city limits.

*W. G. Cooke*, for Title Guarantee and Trust Company and Ralph Rogers.

*H. S. McCallum*, for water consumers in and about Bairdstown.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This is a petition for authority to sell certain water systems to the city of Los Angeles. The hearing was held in the city of Los Angeles on June 23, 1914.

The petition alleges, in effect, that Title Guarantee and Trust Company, as trustee for the bondholders of Glendale Consolidated Water Company, became the owner under purchase at foreclosure sale of all the property, water, water rights, pipe lines, reservoirs, franchises, rights of way and other property formerly belonging to and owned by Glendale Consolidated Water Company; that Title Guarantee and Trust Company, as trustee, is engaged in the business of distributing water in certain portions of Los Angeles, known as Herman District, York Valley District, Aurora District and Oak Hill District, as well as in five other municipalities; that Ralph Rogers is the owner of a water system in that portion of Los Angeles which is known as Glassell Park, and that he is now engaged in the business of distributing water to customers in said district; that a schedule of the property which Title Guarantee and Trust Company desires to sell to the city of Los Angeles is attached to the petition and marked "Exhibit B," and that a schedule of the property which Ralph Rogers desires to sell to the city of Los Angeles

is attached to the petition and marked "Exhibit C"; that Title Guarantee and Trust Company is now serving 633 consumers from that portion of its system which it desires to sell to the city of Los Angeles, all of whom reside within the corporate limits of Los Angeles except one, who resides in South Pasadena, and ten who reside in unincorporated territory outside of Los Angeles; that Ralph Rogers is now serving 141 consumers from his system, and that all of them reside within the city of Los Angeles except two, who reside in unincorporated territory outside the city limits; that the city of Los Angeles has agreed to supply water to the customers residing outside of the city limits, if a sale is made as prayed for; that Title Guarantee and Trust Company and Ralph Rogers have agreed to sell the property described in the exhibits for the lump sum of \$19,375.00, to be paid for both water systems, whereof Title Guarantee and Trust Company shall receive \$16,375.00 and Ralph Rogers \$3,000.00; that the city of Los Angeles, through the Board of Public Utilities, has agreed to purchase the property described in Exhibits "B" and "C" and to continue the service of water to all customers therefrom and to pay the sum of \$19,375.00, of which \$5,000.00 is to be paid in cash and the balance in installments of \$5,000.00 or more within one year, with interest at the rate of 6 per cent on deferred payments; that the parties have agreed that upon payment of the first installment of \$5,000.00, Title Guarantee and Trust Company and Ralph Rogers will execute to the city of Los Angeles a lease and option for one year, and will deliver possession of their respective systems; that the value of the property to be sold to the city of Los Angeles exceeds the agreed purchase price; that the water system to be sold by Ralph Rogers comprises the entire system now owned by him, except the reservoir on Tract No. 607; that the water system to be sold by Title Guarantee and Trust Company is only a portion of its entire system, but that the portion to be sold can be severed from the balance of the system without injury to the remaining water system; and that if the sale is made there will be no interruption in the service of water to the consumers located on the pipe lines which are to be sold and that the transaction will result in better service and a more satisfactory condition than has hitherto prevailed.

Petitioners accordingly ask that this Commission make its order granting to them the right to sell to the city of Los Angeles the properties described in Exhibits "B" and "C," attached to the petition, and to the city of Los Angeles the privilege of purchasing said property.

The evidence at the hearing substantiated the allegations of the petition. It appears that Title Guarantee and Trust Company, as trustee, intends to sell to the city of Los Angeles its entire water system in and adjacent to the city of Los Angeles, except that portion which serves Bairdstown and the territory contiguous thereto. As soon as this terri-

tory is annexed to Los Angeles, it is the intention both of the city and of Title Guarantee and Trust Company that this water system also shall be purchased by the city of Los Angeles.

Mr. H. S. McCallum appeared in behalf of consumers living in and outside of Bairdstown, stated that he and his clients desired some assurance that as the result of the transfer they would not be any worse off than they now are and desired, if possible, to have them placed in a better position. It appears that there has been an inadequate supply of water in and about Bairdstown and that this condition has resulted from insufficient size of the mains and from inadequate pressure. While the sale to the city of Los Angeles will relieve the system of the Title Guarantee and Trust Company of a large demand, and will accordingly probably increase the pressure for the remaining customers of the company, the evidence seems to show that a permanent solution of the difficulty can be secured only by the installation of enlarged or additional water mains. Mr. Cooke, representing Title Guarantee and Trust Company, thought that possibly some arrangement might be made with the city by which, if the Trust Company made the necessary additions and betterments, the city would pay for them at cost when it takes over the property. It occurs to me that this would be an equitable and desirable arrangement, and that if it meets with the views of the city officials, the people of Bairdstown and vicinity will be able to secure a much improved water service even before the system is actually taken over by the city of Los Angeles. While this is not a proper proceeding in which to make an order touching this subject, I desire to draw the attention of the parties to this situation and its solution.

The order in this case will not be taken in any way as prohibiting the residents of Bairdstown and vicinity from making such application to this Commission for relief as they may be advised to make in case satisfactory arrangements for the improvement of the service can not be made.

The price agreed to be paid was ascertained after careful appraisalment had been made on behalf of the city and is entirely satisfactory to the city authorities.

As a portion of the consumers of the water systems to be conveyed to the city reside outside of the city limits, it will be necessary for the city, as is usual in these cases, to file with this Commission a stipulation to the effect that it takes the property subject to all outstanding valid obligations.

At the suggestion of the Commission, the city's water department has prepared a much simpler description of the property to be taken over than that attached to the petition herein, which description is satisfactory to the city and will be embodied in the order herein.

I recommend that the application be granted and submit herewith the following form or order :

**ORDER.**

Title Guarantee and Trust Company, as trustee for the bondholder of Glendale Consolidated Water Company, and Ralph Rogers having filed their petition for an order of this Commission authorizing the sale to the city of Los Angeles for the sum of \$19,375.00 of certain public utility water properties, hereinafter more specifically described, and a public hearing having been held on said application, and the Railroad Commission finding that public convenience and necessity will be served by granting the application,

*It is hereby ordered* that Title Guarantee and Trust Company, as trustee for the bondholders of Glendale Consolidated Water Company, and Ralph Rogers be and the same are hereby authorized to sell to the city of Los Angeles those portions of their respective water systems which are located in the territory in and adjacent to the city of Los Angeles, said property being described as follows :

Beginning at the intersection of Cazadok street and Avenue 30, thence along Avenue 30 to Verdugo road; thence across the Verdugo road to the west line of the San Fernando road; thence along the west line of the San Fernando road to Fletcher street; thence along Fletcher street to Moss avenue; thence along Moss avenue to the westerly line of Marguerite street; thence along the westerly line of Marguerite street and its production to the easterly line of Eastera avenue; thence along Eastera avenue to the northerly line of Marguerite street; thence along Marguerite street to Ferndale avenue; thence along Ferndale avenue to the westerly boundary of the Los Angeles Railway Company's right of way; thence along said right of way to the easterly side of Verdugo road; thence southerly along the Verdugo road to Commonwealth avenue; thence along Commonwealth avenue to the produced west line of Paseo court; thence along the west line of Paseo court to Arthur street; thence along Arthur street to the Verdugo road; thence along Verdugo road to the east line of Avenue 30; thence along the east line of Avenue 30 to the point of beginning.

Also, beginning at the junction of the east line of Verdugo road with the Los Angeles Railroad right of way; thence along said right of way to West View avenue; thence along West View avenue to Campus road; thence along Campus road to its intersection with Annandale avenue; thence along Annandale avenue to the North City boundary; thence following the North City boundary to the production of a north line of Coringa drive; thence along Coringa drive to its intersection with the boundary line of the city of Los Angeles; thence along the boundary line of the city of Los Angeles to Stratford street; thence easterly on Stratford street to Milwaukee street; thence on Milwaukee street to Weaver street; thence on Weaver street to Bottsford street; thence on Bottsford street to Walnut avenue; thence on Walnut avenue to Eagle Rock avenue; thence along Eagle Rock avenue to San Pasqual avenue; thence

along San Pasqual avenue to the south line of Pollard street; thence westerly along Pollard street to its western terminus; thence across Pollard street to the northerly line; thence easterly along the northerly line to Pasqual avenue and the production thereof to the boundary line of the city of Los Angeles; thence along said boundary line to the easterly line of Chestnut avenue produced to meet said city boundary; thence along the easterly line of Chestnut avenue to Spaulding street; thence southerly to Arroyo Verde street; thence along Arroyo Verde street to Marmion way; thence along Marmion way to the southerly line of Pasadero Monterey; thence along the southerly line of Pasadero Monterey to the boundary line of the city of Los Angeles; thence along the said boundary line to Lomitas drive; thence on Lomitas drive to Milford street; thence along Milford street to the east line of Pasadero Monterey; thence along Pasadero Monterey to Avenue 60; thence westerly along Avenue 60 to Hays avenue; thence along Hays avenue to Pasadena avenue; thence along Pasadena avenue to Avenue 57; thence along Avenue 57 to Pasadero Monterey; thence along Pasadero Monterey to Isleta drive; thence on Isleta drive to Wheeling way; thence on Wheeling way to "Ladue Way"; thence along "Ladue Way" to Pullman street; thence along Pullman street to Hellman street; thence along Hellman street to Avenue 60; thence along Avenue 60 to Pasadero Monterey; excepting therefrom that portion of York boulevard between the west line of Milwaukee avenue and the northerly line of Avenue 62.

Also, Aldama street between Avenue 56 and Avenue 57.

Also, Aldama street between Avenue 52 and Union street.

Also, the reservoir on tract number 607 belonging to Ralph Rogers.

Title Guarantee and Trust Company, as trustee, and Ralph Rogers are also authorized, upon the payment of the first installment of \$5,000.00 on the purchase price of the above described property, to execute to the city of Los Angeles a lease and option for one year and to deliver to the city the possession of the property hereinbefore described.

The authority hereby given is conditioned, with reference to the sale, upon the payment by the city of Los Angeles of the sum of \$19,375.00 for the property and upon the filing by the applicants of a certified copy of such lease and deed as may be executed, and upon the filing by the city of Los Angeles of a resolution of its city council stipulating that the city acquires the property, subject to all outstanding obligations, including among others, the rights of the present consumers located outside of the city limits of the city of Los Angeles.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of June, 1914.



## DECISION No. 1628.

F. E. SEAMAN, CHESTER DOWELL, AND DR. L. BRUCE  
*vs.*  
MOUNT WHITNEY POWER AND ELECTRIC COMPANY.

---

Case No. 586.

*Decided June 29, 1914.*

---

Complainants, upon the expiration of their five-year contract with defendant company, decline to enter into another five-year contract and protest the payment of a \$90.00 per horsepower per year non-contract rate.

Defendant agreeing to the insertion of a clause permitting of a yearly extension of its five-year contracts at the regular contract rate, which agreement is satisfactory to complainants, complaint dismissed.

REPORT OF THE COMMISSION.

On April 18, 1914, the complainants herein filed their complaint alleging, in part, that they are residents of Lindsay; that they have a well and a pumping plant which is operated by means of an electric motor, and furnishes water for irrigation and domestic purposes; that they also use electric energy to illuminate two residences and two barns; that Mount Whitney Power and Electric Company has supplied the necessary electric energy for the last five years; that complainants, in March, 1909, entered into a contract with defendant for the supply of electric energy, this contract to become effective on April 1, 1909, and to continue in effect until April 1, 1914; that on the expiration of the contract, complainants offered to pay the regular contract rate, which is \$50.00 per horsepower per year, payable monthly, but that defendant refused to accede to this suggestion and stated that unless a contract was signed up for five years, the power would be discontinued on April 1, 1914; that on April 1, 1914, the complainants not having signed a contract, the defendant disconnected them; that complainants have now paid, under protest, the non-contract rate of \$90.00 per horsepower per year, payable monthly, for one month in advance, and that ever since April 10, 1914, they have been receiving electric energy under this arrangement. Complainants state that they do not think it fair that they should be asked to sign a five-year contract, or in lieu thereof, to pay the non-contract rate, which they allege is almost double the rate previously paid under the contract. The complainants ask this Commission to determine if they must sign a five-year contract or whether they must secure electric energy under the non-contract rate, in which event, complainants ask this Commission to establish a just and reasonable non-contract rate.

Thereafter, defendant filed its offer to satisfy the complaint of the complainants herein, and of others similarly situated. Defendant offers to satisfy the complaint by inserting in the contract of the complainants and of all others who may be willing to have the insertion made, in lieu of the following language:

“Any use of said electric current by the purchaser subsequent to the term herein provided for, and without some other and further written agreement between the company and the purchaser providing therefor, shall be deemed to be a use from month to month only, and shall be paid for at the regular monthly rates then charged by the company for service of that kind”—

a paragraph as follows:

“Upon the expiration of the term herein provided for, there shall be deemed to be a renewal of the term of this contract from year to year for the same price and on the same terms and conditions as in this contract now stated; provided, however, that said purchaser may cease to take current hereunder at the end of any such yearly renewal by notifying said company in writing at least thirty days before the expiration of any such yearly renewal to discontinue service of current under such contract at the end of such yearly renewal; and provided, further, that upon current being discontinued hereunder at the instance of the purchaser, as herein provided, such purchaser shall thereafter be required to again obtain service of current by said company in accordance with the schedule of rates and contracts of said Mount Whitney Power and Electric Company then on file with the Railroad Commission of the State of California.”

The principal change to be effected is that on the expiration of a five-year contract, unless the consumer gives thirty days' notice to the contrary, his contract will be renewed from year to year at the contract rate, so that the consumer is no longer obligated to sign a second five-year contract in order to avail himself of the rate specified in defendant's five-year contracts.

Complainants thereafter filed their acceptance of this satisfaction, with the proviso that the money which they have paid under protest under the non-contract rate subsequent to the expiration of their five-year contract may be credited under the contract rate now to be paid, and that they be not required to consider as part of the first year the ten days between April 1, 1914, and April 10, 1914, during which time they received no current.

A copy of the conditional satisfaction was thereupon forwarded to defendant, with the suggestion that whatever action is taken in this case should apply equally to all of defendant's other consumers whose contracts might have expired during this year or might hereafter expire. Defendant has now replied that it is entirely willing to agree to the conditions specified in the conditional acceptance of the offer to

satisfy and to have the action taken herein to apply to all of its contract customers alike.

The complaint herein will accordingly be dismissed, with the following understanding:

1. In lieu of the provision in the contracts of Mount Whitney Power and Electric Company now reading as follows:

“Any use of said electric current by the purchaser subsequent to the term herein provided for, and without some other and further written agreement between the company and the purchaser providing therefor, shall be deemed to be a use from month to month only, and shall be paid for at the regular monthly rates then charged by the company for service of that kind.”

Mount Whitney Power and Electric Company may insert in the contract of complainants herein and of all other customers who now hold contracts and who are willing to consent to the change therein, and in its forms of contract now on file with this Commission, so as to apply to all future contract holders, the following language:

“Upon the expiration of the term herein provided for, there shall be deemed to be a renewal of the term of this contract from year to year for the same price and on the same terms and conditions as in this contract now stated; provided, however, that said purchaser may cease to take current hereunder at the end of any such yearly renewal by notifying said company in writing at least thirty days before the expiration of any such yearly renewal to discontinue service of current under such contract at the end of such yearly renewal; and provided, further, that upon current being discontinued hereunder at the instance of the purchaser, as herein provided, such purchaser shall thereafter be required to again obtain service of current by said company in accordance with the schedule of rates and contracts of said Mount Whitney Power and Electric Company then on file with the Railroad Commission of the State of California.”

2. Such sums of money as the complainants herein or any other of defendant's customers, under contract, may have paid during the year 1914, upon the expiration of their contracts, as the non-contract rate, may be credited to such consumers as a part of the contract rate to which they will become entitled when the substituted paragraph hereinbefore referred to is inserted in their contracts.

3. Complainants herein shall not be compelled to make any payment for the period between April 1 and April 10, 1914. This result may be attained by the parties either by agreeing that the first year shall terminate on April 10, 1915, or by agreeing to have it terminate on April 1, 1915, with a rebate for the period of ten days.

#### ORDER.

A complaint having been filed in the above entitled proceeding, and defendant having filed its written offer to satisfy the complaint, and

the complainants having accepted said offer to satisfy, with certain conditions, and defendant having agreed to said conditions,

*It is hereby ordered* that, on the understanding set forth in the opinion which precedes this order, the complaint in the above entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this 29th day of June, 1914.

DECISION No. 1629.

IN THE MATTER OF THE APPLICATION OF INDIAN VALLEY  
ELECTRIC LIGHT AND POWER COMPANY FOR AN  
ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 1136.

*Decided June 29, 1914.*

Applicant applies for permission to issue bonds of the face value of \$81,535.00, proceeds of which are to be used in the development of certain property at present in litigation, and there being no prospect of a settlement of such litigation for some time, application dismissed without prejudice.

*O. C. Pratt*, for Indian Valley Electric Light and Power Company.

*A. R. Bidwell*, for Round Valley Water Company.

REPORT OF THE COMMISSION.

THELEN, *Commissioner*.

This is an application for a modification of this Commission's order of September 21, 1912, authorizing the issue of bonds of the face value of \$81,535.00, for the purposes and under the conditions specified in the order. Applicant desires now to lease the reservoir site of the Round Valley Water Company at Greenville, Plumas County, and to use the waters therein stored to operate a new hydroelectric plant to be constructed at Greenville. After the application herein was submitted it appeared that the right to the water claimed by Round Valley Water Company is in litigation between the Round Valley Water Company and E. O. Lindblom. Upon receipt of this information, the Commission communicated with both parties, and expressed the hope that an adjustment might be reached so that the proposed development might go ahead. The Indian Valley is in need of much better electric service than it is securing at the present time, and the Commission is anxious to do all in its power to aid this necessary development.

No agreement has as yet been reached. The Commission manifestly can not authorize an issue of bonds based on a lawsuit where a sub-

stantial issue is involved in the suit. It is apparent that some time must elapse before an adjustment can be reached or before some other plan may be matured by the present owners of the stock of Indian Valley Electric Light and Power Company.

I accordingly recommend that the present application be dismissed without prejudice to a renewal thereof, or to the presentation of a different plan after the situation has been thoroughly canvassed by the present owners of the stock of Indian Valley Electric Light and Power Company, and after a definite and feasible conclusion has been reached as to what can be done. I would suggest that it would be well for the present owners of the stock of this company to work out a new plan with care and in detail before another application is filed.

I submit herewith the following form of order:

**ORDER.**

*It is hereby ordered* that the above-entitled application be and the same is hereby dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of June, 1914.

DECISION No. 1630.

CITY OF MONTEREY

vs.

COAST VALLEYS GAS AND ELECTRIC COMPANY.

Case No. 499.

*Decided June 30, 1914.*

Complainant alleges that the present rates for gas service in the city of Monterey are unjust and unreasonable, and petitions the Commission to establish reasonable rates for such service.

*Held*, After thorough investigation, defendant directed to publish and place in effect within twenty days a rate of \$1.30 per thousand cubic feet for first 5,000 cubic feet and \$1.00 per thousand cubic feet for all amounts in excess of 5,000 cubic feet per month through a single meter, with a minimum charge of 60 cents per month. Gas to have an average heating value of not less than 600 British thermal units per cubic foot.

*Held*, That the occasion of early losses in the operation of a utility can not tend to make such property more valuable, although it does make it more costly; that such losses might be considered, on grounds of equity, in reaching a value for rate-fixing purposes, though the practice of utilities in submitting grossly

exaggerated values in the hope that the Commission will "split the difference" does not tend to secure to the utility such just consideration.

*Held*, That the element of hazard, when taken in connection with the establishment of a basis covering "cost of money" invested in a public utility of this character, should be considered in connection with the protection from competition given such utility by the State, through this Commission.

*Fred A. Treat*, for Complainant.

*Chickering & Gregory, George H. Whipple and Jared How*, for Defendant.

This complaint, filed on November 10, 1913, is directed against the rates charged by defendant for manufactured gas in the city of Monterey, which rates are alleged to be unjust and unreasonable.

Complainant in this case, city of Monterey, is a municipal corporation of the sixth class, and at an election duly held on April 14, 1913, all powers of control over public utilities theretofore possessed by the city of Monterey were vested in this Commission.

Defendant's answer, filed on December 5, 1913, denies all the material allegations in the complaint involving the reasonableness of the rates for manufactured gas charged and collected by it in the city of Monterey, and maintains that the rates so charged and collected are the lowest at which it can profitably sell its commodity to said city and its inhabitants.

Coast Counties Gas and Electric Company was organized March 18, 1912, and took over, among other properties, the property of the California Consolidated Light and Power Company, which then owned a gas plant at Monterey and the distribution systems in Monterey and Pacific Grove.

The California Consolidated Light and Power Company was organized in November, 1911, with a capital stock of \$5,000,000.00. Its predecessor was the Monterey County Gas and Electric Company which, from 1903 to November, 1911, owned all the capital stock of the Monterey and Pacific Grove Electric Railway; owned the gas plant and system, water plant and system and electric plant and system at Salinas; and gas plant and system in Monterey and Pacific Grove. The authorized capital stock of the Monterey County Gas and Electric Company was \$750,000.00. Its bonded indebtedness was \$500,000.00, of which \$150,000.00 represented the underlying issue of the Monterey County Gas and Electric and \$180,000.00 the underlying issue of the Salinas Water and Power Company, both of which companies had operated in this field prior to their absorption by the Monterey County Gas and Electric Company.

The reason for the organization of the California Consolidated Light and Power Company and the ownership by it of the properties here in question during the brief period from November, 1911, to March, 1912, is not disclosed. As no securities were issued by this company and

nothing done to affect the status of the property during the brief ownership, the reason for its organization is of no moment.

At the time the gas and electric properties of the Monterey County Gas and Electric Company were disposed of to the California Consolidated Light and Power Company, its water properties were transferred to the Salinas Valley Water Company.

The defendant herein, Coast Valleys Gas and Electric Company, was organized March 18, 1912, with a capital stock of \$5,000,000.00 and an authorized bonded indebtedness of \$10,000,000.00. The entire authorized capital stock, consisting of \$2,000,000.00 preferred and \$3,000,000.00 common stock, together with \$900,000.00 face value of forty-year 6 per cent bonds, were issued and are now outstanding. The underlying bonds were taken up with the exception of two Monterey County Gas and Electric Company bonds, which have a value of \$1,000.00 each.

It is testified that in addition to redeeming \$500,000.00 in underlying bonds, the present owners paid \$400,000.00 for the stock of the predecessor company and assumed and paid off the floating indebtedness of \$207,000.00 in addition to expending \$286,137.00 for additions and betterments to December 31, 1913.

None of the books of the various predecessor companies were offered in evidence nor was any testimony introduced which would indicate either the book value or original cost of the properties or any portion thereof acquired by the defendant in this case, nor whether or not sinking funds for the redemption of the several issues of underlying bonds had been set up by these predecessor companies prior to the actual transfer in each case and no material evidence is in the record tending to establish what the fair or market value of the stocks and bonds of any of the predecessor companies was originally or at any subsequent time. In view of the above statement it will be evident that the mere fact that so much stock and so many bonds were issued by this defendant, or even that so much money was expended, is of little assistance in attempting to determine a fair value to be placed on a particular portion of the properties so acquired for the purpose of this case.

Defendant presented at the hearing inventory, valuation, and rate reports prepared by Ford, Bacon & Davis, engineers, covering all the existing properties of the Coast Valleys Gas and Electric Company as of August 31, 1912, with additions and betterments to December 31, 1913. A summary of these reports, in so far as the gas plant and system at Monterey and Pacific Grove are involved, together with a summary of the valuation report prepared by Mr. A. R. Kelley of the Commission's engineering department, is given in the following table:

TABLE I.

	Estimated cost to reproduce new, Ford, Bacon & Davis	Estimated cost to reproduce new, A. R. Kelley
Real estate prorated to general structures.....	\$1,250 00	\$1,250 00
Real estate prorated to gas plant.....	6,666 66	6,666 66
Office buildings and general structures (prorated)....	1,750 00	1,750 00
Gas plant buildings and structures.....	8,217 00	8,706 50
Holders .....	2,289 00	2,200 00
Furnaces, boilers and accessories.....	5,513 25	5,513 25
Gas generators .....	2,383 00	2,383 00
Purification apparatus .....	3,991 90	3,961 00
Accessory equipment at works.....	1,329 65	1,221 95
Boosting and regulating apparatus.....	4,469 23	4,469 23
High pressure mains.....	4,537 02	3,695 37
Low pressure mains.....	42,255 84	25,878 81
Gas services .....	10,331 58	6,885 72
Paving .....	26,352 22	-----
Service regulators .....	2,017 81	1,899 25
Gas meters .....	7,211 36	6,091 90
General office equipment, etc. (prorated).....	882 92	882 92
Stable and miscellaneous equipment (prorated).....	431 10	431 10
<b>Total tangible capital less overhead expense.....</b>	<b>\$131,879 54</b>	<b>\$83,886 66</b>
1. Contingencies, incomplete inventory, etc.....	\$11,037 44	\$6,300 05
2. Contractor's profit .....	12,155 14	-----
3. Engineering and supervision.....	10,937 72	-----
4. Interest and taxes during construction.....	17,431 05	-----
5. Injuries and damage.....	2,340 00	-----
6. Rights, capital and organization and going concern .....	65,800 00	-----
7. Engineering, supervision, organization, legal expenses and taxes during construction.....	-----	9,018 68
8. Interest during construction.....	-----	2,976 15
<b>Total overhead and intangible.....</b>	<b>\$119,701 35</b>	<b>\$18,294 88</b>
<b>Total estimated reproduction cost.....</b>	<b>\$251,580 89</b>	<b>\$102,181 54</b>
<b>Materials and supplies.....</b>	<b>1,584 00</b>	<b>1,584 00</b>
<b>Additions and betterments—</b>		
Gas generators .....	\$5,003 00	\$5,003 00
Purification apparatus .....	2,080 00	2,080 00
Low pressure mains.....	2,110 00	2,110 00
Gas services .....	746 00	746 00
<b>Total additions and betterments.....</b>	<b>\$9,939 00</b>	<b>\$9,939 00</b>
<b>Total to December 31, 1913.....</b>	<b>\$263,103 89</b>	<b>\$113,704 54</b>

<sup>1</sup>Including \$489.50 for an oil tank listed with electrical equipment by Ford, Bacon & Davis.

<sup>2</sup>Including three district regulators at \$125.00 each, not included in this item by Ford, Bacon & Davis.

It will be noted that the overhead charges estimated by Ford, Bacon & Davis amount to something over 40.8 per cent of the sum of unit costs placed by them on the physical property and that in addition to the overhead allowances shown, intangible items, including "Rights, Capital and Organization and Going Concern," etc., are included which



brings the total overhead and intangible values claimed to over 90 per cent of the estimated bare physical cost. Not only does the defendant ask that all of these intangible items be allowed in fixing a rate to be charged by it for gas in the city of Monterey, but the Commission is also asked to allow 10 per cent return on the full estimated reproduction cost, including all the overhead and intangible items, large appreciation in real estate values, the estimated cost of paving over mains and services, which expense was never incurred by this defendant or any of its predecessors, and, in addition, a largely increased depreciation annuity to amortize an amount said to represent the accrued deficit in depreciation reserve, from the original organization of the predecessor companies to the present time. The accrued depreciation in the gas plant and system at Monterey and Pacific Grove on August 31, 1912, as shown in a report prepared by Ford, Bacon & Davis is estimated to be \$43,980.61.

It is interesting to note the manner in which a strict reproduction new theory is utterly disregarded by the engineers employed by the company at times and again adhered to tenaciously when that theory will best serve to justify the various estimates and claims of defendant. In increasing the depreciation annuity to compensate past alleged deficits, the engineers have entirely abandoned the reproduction new theory and adopted the historic method, which attempts to arrive at the original cost of the plant as it now exists.

Mr. Kelley submitted an estimate of the cost to reproduce the property new, and there appears a wide difference in opinion between Mr. Kelley and the engineers for the company as to the cost of certain portions of the plant. In so far as the gas plant and buildings are concerned, the unit costs used by Mr. Kelley and the company's engineers compare very closely, and in several, if not the majority, of the items Mr. Kelley has accepted and used those appearing in the Ford, Bacon & Davis appraisal. The present value placed on the real estate prorated to the gas plant at Monterey, however, being one third of \$20,000.00, appears from the evidence to be excessive and I am of the opinion that \$15,000.00 would be a very liberal allowance for the whole tract at this time, or \$5,000.00 to be prorated to the gas plant on the company's basis of segregation. The original cost of this property, comprising one entire block with the exception of one lot, was not made clear but was probably not less than \$2,500.00 or more than \$5,000.00.

Paving over mains and services, amounting to \$26,352.22, not including overhead, has been included in the Ford, Bacon & Davis report and very properly omitted by Mr. Kelley. This Commission has heretofore on several occasions indicated its position in regard to this item where it represents no actual expenditure made by the present or a previous

owner of a property, and I do not deem it necessary at this time to discuss at length the reasons for not allowing the item in cases such as the present one.

The different unit costs used by the Ford, Bacon & Davis, engineers, and Mr. Kelley for street mains and services, account largely for the great difference between the two total reproduction costs arrived at, and I am of the opinion that those used by Mr. Kelley are at least liberal for the class and character of the work contemplated in his report. Mr. F. C. Millard, appearing for defendant, testified concerning the value of the gas plant and system supplying Monterey and Pacific Grove, and while the hasty manner in which his investigation of the properties was carried on rendered his report of little value to the Commission in determining the issues of this case, it recalled one point worthy of attention, namely, that some of the street mains were "converse" pipe and not the standard black pipe used exclusively in the more recent installations. I will allow \$800.00 over and above the costs found by Mr. Kelley for the difference in price on pipe as noted. The labor costs used by Mr. Kelley, while much lower than those used by the company's engineers, appear from records of actual construction in Monterey and Pacific Grove to be ample even before the addition of overhead charges.

The cost of installing gas meters was a point on which Mr. Kelley differed greatly from the engineers appearing for the company, who maintained that \$2.00 was a reasonable amount to be allowed for this item. Mr. Kelley contended that 50 cents was ample, although he used 75 cents in arriving at the cost of meters installed. To my mind there can be no question but that the cost used by the company's engineers is excessive, and that the figure used by Mr. Kelley will in all probability exceed, without the addition of overhead, the actual cost to the company.

Both Mr. Kelley and the engineers for the company have, through error, included electrical instruments estimated to cost \$78.75, and this item should be deducted from both estimates after being increased for the overhead allowed in each case.

The question of overhead expense was discussed at length by engineers for the company and Mr. Kelley, and, as usual, there appeared a great difference of opinion as to the proper percentages to use in the case of each item and in the aggregate. A comparison of the percentages used is shown in the following table:

TABLE II.

	Real estate, per cent	Build- ings, etc., per cent	Gas plant equip- ment, per cent	Street mains, per cent	Services, per cent	Meters, per cent	Tools and miscel- laneous, per cent
<i>Ford, Bacon &amp; Davis.</i>							
Contingencies -----	0	10	*10	10	10	5	5
Contractor's profit -----	0	10	15	15	15	0	0
Engineering and supervi- sion -----	0	7½	7½	7½	7½	7½	0
Interest and taxes -----	10½	10½	10½	10½	10½	10½	10½
Apparent total -----	10½	38	43	43	43	23	15½
Actual cumulative total ----	10½	43.7+	50+	50+	50+	24.7+	16+
<i>Kelley.</i>							
Contingencies -----	0	10	*10	10	10	5	5
Engineering, supervision, organization, legal ex- pense and taxes -----	10	10	10	10	10	10	10
Interest -----	3	3	3	3	3	3	3
Apparent total -----	13	23	23	23	23	18	18
Actual cumulative total ----	13½	24.6+	24.6+	24.6+	24.6+	19—	19—

\*No contingencies on boilers and 5 per cent on boosting and regulating apparatus.

I have hereinbefore referred to the fact that the general effect of the overhead percentages used by Ford, Bacon & Davis is to increase the estimated bare costs of all the gas properties in Monterey and Pacific Grove, including real estate, over 40.8 per cent, while those used by Mr. Kelley will increase the estimated costs, less overhead, over 21.8 per cent. While on the whole Mr. Kelley's overhead percentages, with the exception of that for contingencies, may be considered as being at least fair under the circumstances of this particular case, including as it does the item of "organization," it is my opinion, in view of the unit costs used, that the allowance for contingencies is entirely too high. A percentage not to exceed 5 per cent of the estimated bare physical costs, less real estate, meters, general office equipment, tools and miscellaneous, would have been amply liberal and would, in all probability, considerably exceed the actual original cost. Mr. Kelley has allowed about 13½ per cent overhead on a greatly appreciated value of the real estate owned by the company, and while such an allowance may, in some measure, be justified on a strict reproduction theory, I do not believe it should be allowed as an element of value in this case.

Intangible values claimed by the defendant company, in so far as the gas properties in Monterey and Pacific Grove are concerned, are estimated by the engineers for the company at \$65,800.00 under the terms "Rights, Capital and Organization" and "Going Value." Using the same ratio as shown in the report prepared by Ford, Bacon & Davis for the purpose of segregating the item, "Other than Physical Prop-

erty, \$65,800.00," into its principal component parts, it is found that the values claimed are:

Rights, capital and organization.....	\$36,370 69
Going value .....	29,429 31

Organized expense has been provided for by Mr. Kelly in his over-head allowance.

The item "Capital" is presumably working capital, and can be amply provided for by allowing two months' operating expense at \$3,586.00 on the basis of the company's statement for the year 1913, in addition to "Materials and Supplies" \$1,584.00, as reported. If interest for one half of one year is allowed on construction, I can see no reason for allowing any working capital for that purpose other than materials and supplies ordinarily kept on hand.

There remains then the item of "Rights," which may be assumed to cover the cost of franchises. The evidence does not disclose what was paid for any franchise under which this company operates. Quite probably little or nothing was expended for such purpose.

The question of what constitutes "Going Value" is largely a matter of opinion and the only evidence aside from the highly theoretical assumption by the engineers for the defendant appears to be that no depreciation reserve has been set up to provide for the ultimate replacement of each element of physical property at the end of its useful life.

On a strict reproduction theory it is difficult to understand how the question of past deficits can be considered or why, if such deficits actually occurred and if, contrary to the usual practice with small companies such as the predecessors of defendant, they were not occasioned by the investment of surplus earnings in plant, the present owners should be reimbursed for losses borne by former owners of the property. At any event, it is not clear to me how early losses can add to the present value of this or any other plant. The whole trouble in this and many other cases before the Commission, is that engineers representing utilities will not be consistent. Because a property has lost money certainly does not make it more *valuable*, although it of course makes it more *costly*, and the only theory upon which losses could be considered at all in rate fixing is on the theory that cost should be the basis upon which rates should be determined; and the justification for the cost basis for fixing rates is found in the fact that when any one incurs an expense for another, he has a right to expect to be reimbursed. In short, considerations of equity are the only ones that should appeal to a governmental agency in endeavoring to determine a basis upon which an earning shall be allowed. This Commission should always be ready to give consideration to every equitable claim of a utility, whether it could be forced to do so under a strict interpretation of the law or not.

And on the other hand, it certainly is a peculiar attitude to be assumed by any one who desires to give or receive fair treatment, to say that considerations of equity must be controlling upon this Commission in fixing rates when such equity is in favor of the utility, but that no account should be taken nor consideration given to equity when such a procedure would tend in anywise to decrease the amount upon which an earning is desired to be made.

It should be understood by utilities and the public alike and recognized by commissions and courts that when you take away from an enterprise the right to determine for whom and for what price it will conduct its business, you have eliminated the possibility of applying the same rules of value as obtain in an unregulated enterprise. Value, as commercially understood, is something which can not be determined until after the earning power is determined and the fact upon which commissions are asked to find, when asked to find value as commercially understood, is a fact which finally has no existence until after the authority of the State has been exercised in determining the proper conditions upon which the business shall be conducted, the proper rates, and so the earning power. The sooner it is understood by the utilities that under modern conditions they are literally at the mercy of the State, the sooner they will realize that only equitable considerations are the ones that will finally have weight, and until commissions and courts representing the sovereignty of the State realize that always they should make the "ought" determine the "must" such governmental agencies have not become equal to their task. I do not mean to suggest that any agency should be subject to the caprice of governmental authority, but I do insist that it should be recognized as a plain fact by the utilities that they are subject to regulation and that the character of such regulation and its extent will be largely determined by the attitude of the utilities themselves.

It is inconceivable to me how any engineer or how any utility could expect public officials of any intelligence whatsoever to accept exaggerated so-called "values" such as the one here presented, wherein every principle of consistency is violated and every known method of loading resorted to in order to increase the amount upon which an earning shall be expected. If as widely divergent results can be reached by competent engineers dealing with the same subject-matter, as have here been reached, then the most that can be said is that the value of engineering aid to rate fixing is much overestimated, or that one or the other engineers, where such widely different results are obtained, is mentally dishonest. I do not mean by this a reflection upon Mr. Woodbridge, the engineer who made the physical appraisal in this case, but my reflection is upon the method and those responsible for it. What the Commission would like to know is the sum of money

upon which it ought to allow an earning in any case, and it will serve no good purpose and will be merely a waste of time for utilities to present an exaggerated statement with the hope that this Commission may follow a practice, too prevalent in the past, of splitting the difference between such estimate and some other which is perhaps lower. This Commission, however, should have no desire whatsoever in the matter, either that the basis for rate fixing be large or small. It should merely desire the facts, and when theories must be applied to facts, only those theories which give to the utility and the patrons what ought to be accorded should be followed.

The profit of  $2\frac{1}{2}$  per cent which defendant asks, introduces another intangible which if capitalized at 8 per cent would amount to something in excess of \$82,000.00, and this brings out rather forcibly the fact that any return, on an investment in or value of a property, over and above the "cost of money" is an allowance which to some extent at least provides for those necessary expenditures incidental to the construction of a plant and the creation of a going concern which would not appear in any subsequent appraisal of the physical properties. The natural or apparent hazard of the business is usually reflected in the cost of money itself, which fact is at once made apparent by a comparison between that cost where a material hazard may be assumed to exist as in the present case where it is said to be  $6\frac{1}{2}$  per cent, and the cost in cases of minimum hazard as with government bonds. The hazard, actual or assumed, incidental to the creation and transaction of any business, from the investor's point of view, and which view eventually regulates the price or cost of money, may be the relative security of earning power as compared with some other investment or may depend primarily upon the relative security of the principal. In any event the immediate effect of the element of hazard is apparent in the cost of money. The security of earning power is largely safeguarded by the measure of protection from competition which the State, through this Commission, can give. The security of the principal is obviously dependent at any time upon the relation which is maintained between value of the properties and the total amount of the securities issued thereupon.

Engineers for defendant contend that the company should be allowed a return of 10 per cent on the "invested capital" over and above operating expenses (including ordinary maintenance) and an allowance for depreciation. This 10 per cent is made up by figuring the average cost of money at  $6\frac{1}{2}$  per cent and adding to this percentage  $2\frac{1}{2}$  per cent for "profit" and 1 per cent for "obsolescence of equipment." The term "invested capital," as used by the engineers, appears, in so far as the physical plant is concerned, to have no reference to original investment, as no evidence was introduced bearing on that subject, but

in estimating the proper amount to be hereafter allowed for depreciation the original investment theory has evidently been adopted. Notwithstanding the fact that defendant admits that it has in its possession the books and records of the predecessor companies since about the time the gas plant and system was constructed, the company's engineers and officials chose to estimate "invested capital" on the basis of what a duplicate plant would cost new, including greatly appreciated land values and alleged intangible values, amounting, as I have hereinbefore mentioned, to \$65,800.00 or almost 50 per cent of the full estimated cost to reproduce the physical plant. To my mind it is wholly illogical, after ignoring actual historical costs, to attempt to arrive at invested capital upon a hypothetical basis not only in regard to the unit costs themselves, but in the actual process by which the property was created. Having once discarded the original cost or investment basis, and having laid claim to all appreciated values, it would appear that the only alternative left would be to estimate present value upon the depreciated reproduction theory unless we are to depend entirely upon the amount of stocks and bonds outstanding, which latter basis would be obviously unfair under the circumstances of this particular case.

The ratio between the estimated cost to reproduce new the gas properties of defendant in Monterey and Pacific Grove, exclusive of real estate, and the depreciated reproduction cost or so-called "present value" of those properties, as shown in the valuation report prepared for the defendant company by Ford, Bacon & Davis, is 75.16 per cent as of August 31, 1912. Upon the same theory assuming that this ratio of 17.16 per cent is correct and that it remained the same on December 31, 1913, the present depreciated value of the property, as of that date, upon the basis of Mr. Kelley's estimate of the cost to reproduce the plant new corrected to allow for the tangible and intangible additions already referred to and disregarding for the moment the corresponding deductions, would be \$96,237.97.

The operating expenses for the year 1913, applicable to the gas business in Monterey and Pacific Grove, as set forth in statements submitted by defendant, are as follows:

**TABLE III.**  
**Operating Expenses Year Ending December 31, 1913.**

<i>Production.</i>	
Superintendence .....	\$678 00
Steam plant, labor and supplies.....	145 00
Gas generation, labor and supplies.....	3,193 00
Fuel for steam.....	172 00
Oil or coal for gas.....	5,559 00
Miscellaneous labor and supplies.....	263 00
Repairs to structures and holders.....	257 00
Repairs to furnaces, boilers and accessories.....	284 00
Repairs to gas plant equipment.....	1,181 00
Repairs to miscellaneous production equipment.....	99 00
<b>Total production expense.....</b>	<b>\$11,831 00</b>
<i>Transmission.</i>	
Repairs to mains and structures.....	\$3 00
Repairs to transmission equipment.....	9 00
<b>Total transmission expense.....</b>	<b>12 00</b>
<i>Distribution.</i>	
Superintendence .....	\$108 00
Setting and removing meters and regulators.....	1,022 00
Inspecting and patrolling.....	2 00
Gas meter operations.....	7 00
Commercial lamps, labor and supplies.....	49 00
Inspection and repairs to consumers' installations.....	71 00
Municipal street lamps, labor and supplies.....	5 00
General labor supplies.....	35 00
Repairs to mains and services.....	581 00
Repairs to meters and regulators.....	648 00
Repairs to municipal street lighting system.....	2 00
Repairs to commercial arc lamps.....	31 00
Repairs to miscellaneous distribution equipment.....	192 00
<b>Total distribution expense.....</b>	<b>2,753 00</b>
<i>General and Miscellaneous.</i>	
New business .....	\$507 00
Commercial department, salaries and expenses.....	1,365 00
Commercial department, indexing.....	83 00
Commercial department, collections.....	76 00
Miscellaneous commercial expense .....	13 00
Salaries of general officers.....	954 00
Salaries of general office clerks.....	211 00
Miscellaneous general office supplies and expense.....	1,508 00
Law expenses—general .....	173 00
Railroad commission expense.....	200 00
Injuries and damages .....	29 00
Other general expense.....	35 00
Insurance .....	323 00
Repairs to general equipment.....	350 00
Undistributed adjustment (credit).....	24 00
<b>Total general and miscellaneous.....</b>	<b>5,803 00</b>
<b>Taxes .....</b>	<b>1,117 00</b>
<b>Total operating expenses and taxes.....</b>	<b>\$21,516 00</b>



The points most worthy of note in regard to the operating expenses as reported are the two items "Repairs to Gas Plant Equipment, \$1,181.00" and "Setting and Removing Meters and Regulators, \$1,022.00." The first of these items amounts to 8.6 times the corresponding expense at defendant's gas plant at Salinas, and may be considered abnormal, due possibly to some extraordinary repairs during the year. An ample allowance for this item of expense should not exceed \$200.00. The second item, "Setting and Removing Meters and Regulators," equals about  $3\frac{1}{4}$  times the corresponding expense per consumer at Salinas, and while it may in this particular instance be considered as a normal expense by reason of the great number of transient summer consumers at Monterey and Pacific Grove, the regular patrons of defendant should not be required to bear the additional burden thus created but it should be met by a suitable service charge to be collected from all new consumers unwilling to sign a contract for one year. The item "Oil or Coal for Gas, \$5,559.00," represents the cost of 7,334.25 barrels of fuel oil used in the manufacture of gas at the Monterey plant, to which reference will be made hereafter.

The gross revenue received by defendant from the sale of gas in Monterey, Pacific Grove and vicinity during the year 1913 is reported to be as follows:

**TABLE IV.**  
**Gas Sales Year 1913.**

	Monterey	Monterey rural	Pacific Grove	Total
Municipal street, power and lighting	\$70 35	-----	\$44 70	\$115 05
Commercial heat, power and lighting—flat rate	39 00	-----	352 85	391 85
Commercial heat, power and lighting—metered	13,272 00	\$938 39	12,552 05	26,762 44
Prepaid gas	-----	-----	203 00	203 00
Total sales	\$13,381 35	\$938 39	\$13,152 60	\$27,472 34

The actual quantity of gas manufactured during 1913 at the Monterey plant is reported by defendant as 33,939,200 cubic feet and the reported sales 19,675,600 cubic feet, showing an apparent loss of about 42 per cent. The amount of gas manufactured was taken from holder measurements and checked by the amount of fuel oil used. The amount of gas sold, as reported by defendant, is in all probability a record of questionable accuracy covering the monthly meter readings during the year and apparently the amount of gas consumed by some fifty flat rate consumers has been entirely ignored. At the hearing witnesses for defendant testified that there was evidently an error in the loss as reported, and that 10 per cent would be a reasonable loss under the conditions existing in Monterey and Pacific Grove. With this latter state-

ment I am inclined to agree, and I do not believe that a greater loss than 10 per cent or 15 per cent as an absolute maximum should be charged against the consumers of gas in Monterey and Pacific Grove; however, it must be pointed out that even if we grant that the losses in this plant do not as a matter of fact exceed from 10 per cent to 15 per cent, and that the gas manufactured was less in proportion, an inefficiency in operation and management even more startling would be evident. The point I mean to bring out is, that obviously the quantity of fuel used during 1913 is known to be substantially correct, as there can be no possible justification for a material error in this item as reported; then if the sales were as reported and the losses were, say 10 per cent, the quantity manufactured would be about 21,862,000 cubic feet, indicating a fuel consumption of over 14 gallons of fuel oil per thousand cubic feet of gas made. According to the admissions of defendant's own witnesses the operating efficiency of the Monterey plant would, with the fuel consumption stated, be less than 68 per cent of normal.

In view of the circumstances above related, it is evident that the reported amount of gas sold is entirely unreliable and that the only basis to use for determining what the sales actually were, with a reasonable degree of certainty, and in fairness to defendant and its patrons, is to use the amount of fuel oil consumed during 1913 and assume a fair plant efficiency and a liberal allowance for loss in transmission and distribution. By this method, assuming a manufacturing efficiency of 10 gallons of fuel oil per thousand cubic feet of gas made and a loss of 15 per cent, the sales would have amounted to about 26,183,300 cubic feet during 1913.

It will be clear that the rate fixed in this case should be ample to enable the defendant to install a station meter at the Monterey plant and provide suitable facilities for determining (a) the quality of the gas manufactured; (b) the accuracy of consumers' meters; (c) the pressure maintained at all times at the plant centers of distribution, and (d) when necessary, the pressure maintained at any point on the distribution system or upon any consumer's premises.

I, therefore, recommend that defendant prepare and submit to this Commission, within twenty (20) days from the date hereof, a detailed estimate of the cost of providing the additional equipment and facilities above referred to, together with a statement of the manner in which it proposes to carry out the intent of these recommendations.

Considering all the facts and circumstances connected with this case, and after carefully weighing the evidence submitted in connection therewith, I find as a fact that the present rates charged and collected by defendant for gas manufactured, distributed and sold by it in the city of Monterey and vicinity are unjust and unreasonable; and I fur-

ther find that the rates and charges set forth in Table V are just and reasonable, and that said rates will, in addition to providing for all necessary operating expenses and an adequate depreciation reserve, allow an ample return on the value of defendant's property now used and useful in connection with the manufacture of gas at the Monterey plant and its distribution and sale to the inhabitants of the said city of Monterey and vicinity, including the fair value of the additional equipment and facilities which I have hereinbefore recommended that defendant provide for the improvement of service.

TABLE V.

**Rate for Manufactured Oil Gas Having an Average Heating Value of Not Less Than 600 British Thermal Units per Cubic Foot.**

Applicable to all classes of consumers.

First 5,000 cubic feet per month per meter..... \$1 30 per 1,000 cubic feet  
Over 5,000 cubic feet per month per meter..... 1 00 per 1,000 cubic feet  
Minimum monthly charge per month per meter, 60 cents.

A service charge of \$1.00 will be required in all cases where an applicant for service declines to sign a contract for service for one year, but will be refunded if the applicant remains a customer of the company continuously for twelve months at one location.

I recommend the following form of order :

## ORDER.

City of Monterey, a municipal corporation, having heretofore filed with this Commission its complaint alleging that the rates now charged and collected by Coast Valleys Gas and Electric Company for gas manufactured, distributed, and sold by it in the city of Monterey are excessive and unreasonable, and a public hearing having been held, and the Commission being fully advised in the premises, and basing its conclusions on findings of fact contained in the opinion which precedes this order,

*It is hereby ordered* that Coast Valleys Gas and Electric Company, a corporation, publish and file with this Commission within twenty (20) days from the date hereof, and thereafter charge and collect for gas sold and service supplied by it in the city of Monterey and vicinity, the following rates and charges which are hereby found to be just and reasonable :

**Rate for Manufactured Oil Gas Having an Average Heating Value of Not Less Than 600 British Thermal Units per Cubic Foot.**

Applicable to all classes of consumers.

First 5,000 cubic feet per month through one meter.... \$1 30 per 1,000 cubic feet  
Over 5,000 cubic feet per month through one meter.... 1 00 per 1,000 cubic feet  
Minimum charge 60 cents per month per meter.

A service charge of \$1.00 will be required in all cases where an applicant for service declines to sign a contract for service for one year, but will be refunded if the applicant remains a customer of the company continuously for twelve months at one location.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.

## DECISION No. 1631.

IN THE MATTER OF THE APPLICATION OF BOARD OF SUPERVISORS OF SANTA CLARA COUNTY FOR THE ESTABLISHMENT OF A PUBLIC ROAD IN ROAD DISTRICT NUMBER ONE OF SAID COUNTY, SUCH ROAD TO CROSS THE TRACK OF SOUTHERN PACIFIC COMPANY.

---

Application No. 1163.

*Decided June 30, 1914.*

---

Application of the board of supervisors of Santa Clara County for permission to extend North street, in the town of San Martin, across the tracks of the Southern Pacific Company so as to form a connection with the State Highway, granted, applicant to bear entire expense of such construction.

*G. D. Squires*, for Southern Pacific Company.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

On June 1, 1914, the board of supervisors of Santa Clara County, California, filed with the Commission an application for an order granting permission to said board of supervisors to cross the track of Southern Pacific Company at grade in Road District No. 1, Santa Clara County, California, at a street known as North street in the town of San Martin. Said application was accompanied by a certified copy of the petition and of the order appointing viewers. On June 25, 1914, a hearing was held at San Jose in regard to this application and at said hearing the following facts were developed, namely, that Monterey road, a state highway, runs approximately north and south through the town of San Martin parallel to and west of the track of the Southern Pacific Company. San Martin is on the east side of said railroad, or on the opposite side of the track from the State Highway. At present there are but two crossings in the town of San Martin open across the track of Southern Pacific Company, and these two crossings, in addition to crossing the main line, cross also a passing track of the railroad company. All the travel by vehicles north and south from San Martin is on the State Highway, and at the hearing the fact was developed that often the two crossings now open across the track, namely, South street and San Martin avenue, are blocked by freight trains occupying the passing track. This is the cause of great inconvenience and annoyance to the people of San Martin.

North street, the street which the applicant desires to open across the track of Southern Pacific Company, is about thirteen hundred (1300) feet north of San Martin avenue, which is the northerly street now open in the town of San Martin across the track of Southern Pacific Company. It appears that there would be considerable traffic across this proposed crossing which now is forced to cross the track at San Martin avenue, occasioning a detour of about one half mile. It appears, therefore, that there is a real need for the crossing at North street, and that this application should be granted.

I recommend the following order:

**ORDER.**

Board of supervisors of Santa Clara County, California, having on June 1, 1914, filed with the Commission an application for permission to cross at grade the track of Southern Pacific Company at the street known as North street, in the town of San Martin, Santa Clara County, California, said application being accompanied by a certified copy of the petition and of the order appointing viewers, and it appearing that public convenience requires the granting of said application,

*It is hereby ordered* that said application be and the same is hereby granted, subject to the following conditions:

(1) The entire expense of constructing the crossing at grade shall be borne by applicant.

(2) The expense of maintaining the crossing thereafter in good and first-class condition for the safe and convenient use of the public shall be borne by applicant up to within two (2) feet on each side of the rails of Southern Pacific Company.

(3) Southern Pacific Company shall maintain said crossing across its tracks and to within two (2) feet of the outside thereof.

(4) Said crossing shall be constructed of a width to conform to the width of that portion of North street to be graded, with grades of approach not exceeding six (6) per cent, and shall be ballasted with first-class stone or gravel ballast to a depth of not less than six (6) inches, and in every way made safe for the passage thereover of vehicles and other road traffic.

(5) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance, and protection of said crossing as to it may seem right and proper, and to revoke its permission, if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.

## DECISION No. 1632.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF ITS GENERAL AND REFUNDING MORTGAGE GOLD BONDS OF THE FACE VALUE OF FIVE MILLION DOLLARS AND OF CERTAIN FIRST PREFERRED STOCK AND COMMON STOCK.

Application No. 1188.

*Decided June 30, 1911.*

Applicant, in accordance with its general plan of refinancing, applies to the Commission for permission to issue \$12,500,000.00 par value of first preferred stock and \$5,000,000.00 face value general and refunding mortgage bonds, proceeds to be used for the purposes of retiring outstanding notes of the face value of \$7,000,000.00; to reimburse treasury for capital expenditures incurred in the acquisition of property and for construction and betterments, \$4,586,661.00; the balance for capital expenditures to be hereafter itemized. Application was subsequently amended to include an issue of \$1,159,800.00 par value of common stock, to be sold at par, in lieu of preferred stock, proceeds to be used for sinking fund purposes. Applicant also applies for permission to issue first preferred stock in exchange for original preferred stock to a maximum amount of \$10,000,000.00 on a basis of 1.025 shares of first for one share of original preferred stock.

*Held*, Application granted, provided that no bonds herein authorized shall be sold except under a supplemental order specifying a minimum price for same; that first preferred stock shall be sold at not less than 82½ and common stock at par, proceeds to be used for purposes as applied for.

*C. P. Cutten*, for Applicant.

## REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

This an application for an order authorizing the issue of first preferred stock, general and refunding mortgage gold bonds and common stock in the amounts and for the purposes hereinafter specified.

Applicant asks authority now to issue its first preferred stock of the par value of \$12,500,000.00, and authority on and after July 1, 1916, to issue its first preferred stock in such a par value as may be necessary to exchange the same for original preferred stock now outstanding, as hereinafter explained.

Prior to the amendment to applicant's articles of incorporation hereinafter referred to, applicant was authorized by its articles to issue capital stock as follows:

Preferred stock—6 per cent cumulative	\$10,000,000 00
Common stock	150,000,000 00

On April 30, 1914, applicant's issued and outstanding capital stock was as follows:

Preferred stock—6 per cent cumulative.....	\$10,000,000 00
Common stock—	
In hands of public.....	\$32,109,300 00
Owned by subsidiary companies.....	31,696,866 66
	<hr/> \$63,806,166 66

The common stock held by subsidiary companies will shortly be cancelled, thus reducing the amount of applicant's issued common stock to \$32,109,300.00.

Applicant has now amended its articles of incorporation so that the total of \$160,000,000.00 authorized capital stock shall be divided as follows:

First preferred stock, 500,000 shares.....	\$50,000,000 00
Original preferred stock, 100,000 shares.....	10,000,000 00
Common stock, 1,000,000 shares.....	100,000,000 00

The first preferred stock is an entirely new stock. The amendment to applicant's articles of incorporation provides in part that the holders of first preferred stock shall be entitled, when issued as fully paid, to cumulative preferential dividends at the rate of 6 per cent per annum before any dividend on the original preferred stock or the common stock shall be declared or paid; that a similar preference shall exist as to assets on liquidation or dissolution; that no share of first preferred stock, when the subscription has been fully paid, shall ever be subject to assessment for the purpose of conducting the business or paying the expenses or debts of this corporation, although the stock is, of course, subject to stockholder's liability in favor of creditors of the corporation, as provided by the constitution and statutes of this State; that the holders of shares of original preferred stock shall have the right at any time on or after July 1, 1916, subject to the approval of this Commission, to surrender to the corporation their shares in exchange for shares of first preferred stock at the rate of 1.025 shares of first preferred stock for each share of original preferred stock; and that the board of directors of the corporation shall continue to have the right to set aside from the profits arising from the business of the corporation such reasonable sums as may in their judgment be necessary and proper for working capital and for usual reserves and surplus.

On June 3, 1914, applicant's board of directors authorized the president to offer immediately for subscription and purchase 125,000 shares of said first preferred stock, having a total par value of \$12,500,000.00 upon specified terms and conditions, including the following: that the price shall be \$82.50 per share, payable in installments as follows: \$5.00 per share (with subscription) on or before July 15, 1914; \$15.00 per share on or before August 15, 1914; \$12.50 per share on or before

October 1, 1914; \$12.50 per share on or before January 1, 1915; \$12.50 per share on or before April 1, 1915; \$12.50 per share on or before July 1, 1915, and \$12.50 per share on or before October 1, 1915; that no dividend shall be declared or paid upon any share until it has been fully paid for; that stockholders of record on the books of the corporation at the close of business on June 3, 1914, may subscribe for stock in the proportion of three shares for each ten shares (both common and preferred) then standing in their names on the books of the corporation; and that if at least 70 per cent of the stock shall not have been subscribed for on or before August 15, 1914, the corporation will, on or before September 1, 1914, return to all subscribers the amounts respectively paid by each with interest at the rate of 6 per cent per annum.

In pursuance of this resolution, the first preferred stock has been offered to the stockholders of Pacific Gas and Electric Company, and at the date of the hearing in excess of 20 per cent had been subscribed for, with excess subscriptions in a number of cases.

Applicant also asks authority to issue its general and refunding mortgage gold bonds (Series A, numbered M 25,431 to 30,430 inclusive) in the aggregate face value of \$5,000,000.00 for the purposes hereinafter specified. By its Decision No. 736 on Application No. 603 (Volume 2, Opinions and Orders of Railroad Commission of California, page 1051), rendered on June 20, 1913, this Commission heretofore authorized the issue of these same bonds for the purposes specified in the order. These bonds, together with general lien bonds of the face value of \$5,000,000.00, have been pledged by applicant as collateral security for outstanding gold notes of the face value of \$7,000,000.00. When these notes are paid, all these bonds will be returned to applicant's treasury. The general lien bonds and the indenture securing the same will then be cancelled, but applicant desires again to issue the \$5,000,000.00 of general and refunding mortgage bonds.

Applicant desires to issue said first preferred capital stock of the par value of \$12,500,000.00 and said general and refunding mortgage bonds of the face value of \$5,000,000.00 and to use the proceeds thereof for the following purposes:

- (1) To discharge and refund its 6 per cent gold notes and its 5 per cent gold notes in the aggregate face amount of \$7,000,000.00.

- (2) To reimburse its treasury for moneys expended for the acquisition of property and for the construction, completion and extension and improvement of facilities as shown on pages 15 and 16 of Exhibit "A," attached to the petition herein, no part of which, so applicant alleges, has been secured from the issue of stock, bonds, notes or other evidences of indebtedness, \$4,586,661.00.

- (3) To incur other capital expenditures or discharge and refund indebtedness incurred for the same—details not as yet specified, balance of proceeds.



Said Exhibit "A" shows on page 15 a reimbursement allowed for uncapitalized construction expenditures prior to January 1, 1913, in accordance with this Commission's decision on Application No. 552, of \$3,750,000.00, and construction expenditures reported to this Commission from month to month from January, 1913, to April, 1914, inclusive, totalling the sum of \$7,836,661.78.

The total proceeds to be derived from the sale of the first preferred stock and the bonds can not, as yet, be ascertained for the reason that applicant is not as yet prepared to report to this Commission the price at which it can sell the bonds. Applicant expects that when it has put behind the outstanding bonds the additional moneys to be secured from the sale of \$12,500,000.00 of first preferred stock, it will be able to secure for its bonds a net price in excess of 85 per cent of their face value. Applicant's request with reference to the bonds will be granted subject to the proviso that applicant shall hereafter secure from this Commission a supplemental order specifying the minimum price at which the bonds may be sold, before any thereof may be issued.

Applicant also requests authority on and after July 1, 1916, to issue its first preferred stock in exchange for shares of the outstanding preferred stock (now to be called original preferred stock) at the rate of 1.025 shares of first preferred stock for each share of original preferred stock to all holders of the latter stock who may desire to make the exchange. This is part of the general plan by which the first preferred stock is to be authorized and issued and take its place ahead of the existing preferred stock. While this exchange will result in some additional securities over those now outstanding, it is an integral part of a general plan which will materially improve applicant's financial condition and which is worthy of commendation from the public authorities. I shall recommend that this part of the application be also granted, but that some reasonable time after July 1, 1916, such as a period of six months, be set for the consummation of these exchanges, with the possibility of an extension of this period, if found necessary.

In its petition, applicant further asked authority to use a portion of the proceeds from the sale of its preferred stock as follows:

(a) For the reimbursement of moneys expended for the retirement of bonds through sinking funds from January 1, 1914, to April 30, 1914-----	\$40,760 00
(b) To provide cash for meeting sinking fund payments now due and unpaid, which will be applied to refunding of bonds-----	394,375 81
(c) To provide cash for retiring bonds through sinking funds from April 30 to December 31, 1914, estimated at -----	724,687 50
<b>Total -----</b>	<b>\$1,159,823 31</b>

If this portion of the application were granted as applied for, the net result would be that each time a \$1,000.00 bond is retired, preferred stock of the par value of \$1,200.00 (selling at 82½ per cent of par value) would take its place. At the hearing Mr. A. F. Hockenbeamer, applicant's second vice-president and treasurer, agreed that this would not be desirable financing, and asked that the petition be amended so as to ask authority to issue common stock at par to meet the aforesaid sinking fund requirements. The result desired would be attained by paying a portion of dividends from earnings in common stock at par—a plan much preferable to the one at first suggested.

Reference is hereby made to the opinions and orders heretofore rendered by this Commission, wherein the financial affairs of this applicant have, from time to time, been thoroughly analyzed. I do not deem it necessary, in this proceeding, to again go over the ground which has heretofore been covered. At the hearing the Commissioner made inquiry into applicant's ability to meet dividends and interest on the proposed additional first preferred stock and bonds. Mr. Hockenbeamer testified in reply that the gross revenue lost by the company's rate reductions in 1911 and 1912 was made up by the end of 1912; that he estimated for 1914 net earnings of \$4,000,000.00 after the payment of bond interest and discounts, thus allowing dividends on both the original preferred stock and the new first preferred stock, amounting to \$1,350,000.00, and leaving a balance of \$2,650,000.00; and that for 1915 he estimated a balance of about \$3,650,000.00 after paying bond interest and discounts and interest on the preferred stock. While these figures are, of course, only estimates, I am satisfied from the evidence, that applicant's earnings will be large enough to enable it to take care of its new obligations—both bonds and preferred stock.

Applicant's plan to sell its new first preferred stock appeals to me as thoroughly sound and commendable. It will enable applicant to refund the outstanding gold note issues of \$7,000,000.00, put additional security behind applicant's bonds, help take care of the margin between the 100 per cent of construction expenditures and the 90 per cent face value of bonds which applicant can issue against construction expenditures, and probably result in an increase in the price to be secured for its general and refunding bonds hereafter issued. The plan is in accord with suggestions for junior financing which have been made by this Commission from time to time to various public utilities and is worthy of emulation, in so far as applicable, by other utilities.

I find that the purposes for which the proceeds of the bonds and capital stock herein authorized are to be issued are not in whole or in part reasonably chargeable to operating expenses or to income and

recommend that the application, as modified, be granted subject to the conditions specified in the order.

I submit herewith the following form of order:

**ORDER.**

Pacific Gas and Electric Company having applied to the Railroad Commission of the State of California for an order authorizing the issue of its general and refunding mortgage gold bonds of the face value of \$5,000,000.00, of its first preferred stock of the par value of \$12,500,000.00, and of additional first preferred stock as will hereinafter appear, and of its common capital stock of the par value of \$1,159,800.00, and a public hearing having been held on said application, and the Railroad Commission finding that the purposes for which the proceeds of said bonds and stock are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that the Railroad Commission hereby authorizes the issue by Pacific Gas and Electric Company of (a) \$5,000,000.00, face value of principal of its general and refunding mortgage gold bonds, being 5,000 bonds of Series A, numbered M 25,431 to 30,430 inclusive, maturing on the first day of January, 1942, bearing interest at the rate of 5 per cent per annum, payable semiannually, under and in pursuance of the terms of the mortgage or deed of trust heretofore and on the first day of December, 1911, made and executed by said Pacific Gas and Electric Company to Bankers' Trust Company of New York, corporate trustee, and Frank B. Anderson of San Francisco, individual trustee; (b) \$12,500,000.00, par value of its first preferred stock, consisting of 125,000 shares of the par value of \$100.00 each; (c) so much additional first preferred stock as may be necessary to exchange for original preferred stock on and after July 1, 1916, as hereinafter more specifically provided; and (d) its common capital stock of the par value of \$1,159,800.00, consisting of 11,598 shares of the par value of \$100.00 each, on the following conditions and not otherwise, to wit:

1. Pacific Gas and Electric Company shall not issue said bonds until it has secured from this Commission a supplemental order specifying the minimum price at which they may be sold.

2. Pacific Gas and Electric Company shall sell said first preferred stock of the par value of \$12,500,000.00 so as to net in cash not less than 82½ per cent of its par value.

3. Pacific Gas and Electric Company shall dispose of said common capital stock at not less than its par value.

4. Pacific Gas and Electric Company shall use the proceeds from the issue of said bonds of the face value of \$5,000,000.00 and of said

first preferred stock of the par value of \$12,500,000.00 only for the following purposes:

(a) To discharge and refund its 6 per cent gold notes and its 5 per cent gold notes, proceeds not to exceed \$7,000,000.00.

(b) To discharge and refund obligations incurred and reimburse its treasury for the acquisition of property and for the construction, completion, extension and improvement of its facilities as shown on pages 15 and 16 of Exhibit "A" attached to the petition herein, proceeds not to exceed \$4,586,661.00.

(c) For other purposes properly capitalizable as specified in section 52 of the Public Utilities Act, when applicant shall have specified such purposes and the amounts claimed for each and shall have secured from the Railroad Commission a supplemental order authorizing such expenditure the balance of the proceeds.

5. Pacific Gas and Electric Company is hereby authorized to issue on July 1, 1916, and during the period of six months subsequent thereto, unless such period be hereafter extended, 1,025 shares of its first preferred capital stock in exchange for each share of its original preferred stock up to the maximum of \$10,000,000.00 par value of said original preferred stock, to all holders of said original preferred stock who may present the same for such exchange.

6. Pacific Gas and Electric Company shall use the proceeds from the issue of said common capital stock for the following purposes and in the following amounts:

(a) For the reimbursement of moneys expended for the retirement of bonds through sinking funds from January 1, 1914, to April 30, 1914, not to exceed \$40,760.00.

(b) To provide cash for meeting sinking fund payments now due and unpaid, which will be applied to refunding of bonds, not to exceed \$394,375.81.

(c) To provide cash for retiring bonds through sinking funds from April 30, to December 31, 1914, not to exceed \$724,687.50.

7. Pacific Gas and Electric Company shall keep separate, true and accurate accounts, showing the receipt and application in detail of the proceeds of the sale of the bonds and stock hereby authorized to be issued, and on or before the twenty-fifth day of each month shall make verified reports to the Railroad Commission stating the sale of bonds and stock during the previous month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. The authority hereby given to issue stock other than the first preferred stock to be exchanged for original preferred stock, as to which a time limit has already been specified, shall apply only to stock issued on or before the first day of November, 1915. The time

limit for the issue of the bonds will be specified when the supplemental order authorizing their issue is made.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.

---

DECISION No. 1633.

IN THE MATTER OF THE APPLICATION OF SOUTHERN  
COUNTIES GAS COMPANY OF CALIFORNIA FOR AU-  
THORITY TO ISSUE NOTES.

Application No. 997.

*Decided June 30, 1914.*

---

Application of the Southern Counties Gas Company of California for permission to renew notes of the aggregate amount of \$23,000.00 until such time as plans for refinancing now under consideration shall have been completed, granted.

*Wilson & Wilson, for Applicant.*

REPORT OF THE COMMISSION.

*LOVELAND, Commissioner.*

Southern Counties Gas Company of California having applied to this Commission for permission to renew the following notes:

Payee	Amount	Date of maturity	Interest
Whittier National Bank.....	\$2,500 00	Sept. 30, 1911	6 per cent
Whittier National Bank.....	2,500 00	Sept. 30, 1911	6 per cent
First National Bank of Santa Ana.....	2,500 00	July 13, 1912	6 per cent
First National Bank of Sierra Madre.....	2,500 00	July 13, 1912	6 per cent
First National Bank of Fullerton.....	2,000 00	Apr. 21, 1912	7 per cent
First National Bank of Santa Ana.....	2,500 00	Dec. 23, 1912	6 per cent
Placentia National Bank.....	2,500 00	Mar. 26, 1912	7 per cent
American National Bank.....	3,500 00	Dec. 30, 1912	7 per cent
First National Bank of Anaheim.....	2,500 00	Oct. 31, 1912	7 per cent
	\$23,000 00		

And a public hearing having been held upon this application, and it appearing that the proceeds derived from these notes were used for purposes which are properly capitalizable, and that applicant desires to renew these notes from time to time until plans for reorganization, which are now under way, have been entirely completed, and the Commission being of the opinion that the application should be granted,

*It is hereby ordered* that Southern Counties Gas Company of California be and it hereby is authorized to renew from time to time the above mentioned notes or any of them, upon the following conditions and not otherwise, to wit:

1. In no case shall the rate of interest of any of said notes be increased upon renewal.

2. Any of said notes may be renewed from time to time up to and including June 30, 1915, but in no case shall the term of renewal of any of said notes extend beyond June 30, 1916.

3. Applicant shall keep separate, true, and accurate accounts of the renewed notes herein authorized to be issued, and shall on or before the twenty-fourth day of the month make a verified report to this Commission, setting forth the notes which have been renewed during the preceding month, together with the term, amount, and rate of interest of the renewed notes, all in accordance with this Commission's Order No. 24, which, in so far as applicable, is made a part of this order. The payment of the fee prescribed in section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.

#### DECISION No. 1634.

IN THE MATTER OF THE APPLICATION OF LAWNSDALE LAND AND WATER COMPANY TO PURCHASE THE WATER SYSTEM OF LAWNSDALE WATER COMPANY; TO ISSUE STOCK; TO MORTGAGE ITS PROPERTY; TO ISSUE ITS BONDS; TO CHANGE ITS RATES FROM A FLAT BASIS TO A METER BASIS; AND OF LAWNSDALE WATER COMPANY TO SELL ITS WATER SYSTEM.

Applications Nos. 370 and 426.

*Decided June 30, 1914.*

#### REPORT OF THE COMMISSION.

##### AMENDMENT TO ORDER.

LOVELAND, *Commissioner.*

The order of the Commission made in the above entitled proceedings on May 9, 1913, having provided in part that Lawnsdale Land and Water

Company be given authority to make a mortgage of its property to Los Angeles Abstract and Trust Company, dated July 1, 1912, to secure a bonded indebtedness of the face value of \$50,000.00 and to issue under said mortgage bonds of the face value of \$25,000.00, and it appearing that said Los Angeles Abstract and Trust Company has gone out of existence, and the Commission having been asked to substitute in the place of said company the Los Angeles Trust and Savings Bank and also to change the date of the mortgage from July 1, 1912, to July 1, 1914,

*It is hereby ordered* that the order heretofore made in this proceeding on May 9, 1913, be and the same hereby is amended so as to substitute the name of Los Angeles Trust and Savings Bank in the place of Los Angeles Abstract and Trust Company and to substitute July 1, 1914, in the place of July 1, 1912, as the date of the mortgage to secure the bonds herein authorized to be issued; the original order in all other respects to remain unaltered.

The foregoing amendment to order is hereby approved and ordered filed as the amendment to order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.

---

DECISION No. 1635.

L. E. COLE ET AL.

*vs.*

SOUTH FEATHER LAND AND WATER COMPANY.

Case No. 558.

*Decided June 30, 1914.*

---

Complainants allege that defendant's rates for water for irrigation purposes are unjust and unreasonable, that proposed consumers are obliged to pay for water right, that the supply is inadequate and that certain consumers heretofore served have been cut off and refused service by defendant.

*Held*, Defendant directed to publish and place in effect July 1, 1914, a rate of \$15.00 per miner's inch per annum for all water contracted for or reserved, whether actually used or not, with an additional charge of 10 cents per miner's inch per twenty-four hours for water actually delivered to consumers for use. Defendant also directed to file for the approval of the Commission rules and regulations prescribing the time of payment, as directed herein, and to make same effective for the irrigating season of 1914.

*Held*, That the purchaser of a utility can not acquire same and discontinue service to all unprofitable consumers who have previously enjoyed service. Defendant directed to deliver water, at its own expense, to former consumers of its system

who have been denied service, if such consumers demand water and agree to pay the regular rates herein established. Complaint in all other respects dismissed.

*W. H. Carlin and J. E. Ebert*, for Complainants.

*C. E. McLaughlin*, for Defendant.

#### REPORT OF THE COMMISSION.

*THELEN, Commissioner.*

The complainants are all owners of land in Butte County and present or prospective customers of the defendant's water system. They make certain complaints which will hereinafter be considered in detail.

Defendant was incorporated under the laws of this State on November 25, 1908, for the purpose, among others, of engaging in the business of selling water for compensation as a public utility. By deed dated March 31, 1909, defendant acquired the entire water system of South Feather Water and Union Mining Company, located in the counties of Butte, Yuba and Plumas. This system was constructed during the early fifties principally for mining purposes, but with the decadence of mining in this vicinity the system was gradually converted into an irrigation project. At the present time defendant has some seventy customers who take water for domestic and irrigation purposes and one customer who is engaged in dredging. The sale of water by defendant for mining purposes has entirely ceased.

Defendant's canal head is in Lost Creek, in section 13, township 20 north, range 8 east, in Plumas County. The intakes are in Travers Ravine, Lost Creek, Pinkard Creek, Oroleva Creek, Honcut Creek, and Dry Creek. The total length of main and branch canals is some 306,131 feet, or about 58 miles. The principal deliveries of water are in Wyandotte and vicinity and in Bangor and vicinity, in Butte County.

At the time the present owner acquired this system, it was in a dilapidated condition. Flumes were down, ditches were washed out, and the system was incapable of giving adequate service without extensive reconstruction. The present owner has gradually been reconstructing the system, and has more recently shown such diligence in this respect that complainants at the hearing withdrew the charge that the system is badly in need of repairs.

The hearing in this case was held at Oroville on May 26, 1914. Complainants stated their complaints as follows:

1. Unreasonableness of the rate and the demand for prepayment of the full year's rate in advance.
2. Alleged necessity of paying for a water right before an intending customer can secure water.
3. Inadequacy of supply.
4. Deprivation of water from persons entitled thereto.

I shall consider these complaints in turn.



### 1. The Rate.

Defendant's charge for water to all customers is 10 cents per miner's inch per twenty-four hours for twelve months in the year, amounting to \$36.50 per miner's inch per year, which sum must be paid in advance. The amount to which any irrigation customer is entitled may be cumulated, so that if a customer is entitled to one inch each day for thirty days, he can take ten inches on each of three days in the month, or, if the requirements of other customers permit, he can take the water more frequently, provided that he does not consume in excess of thirty day inches during the month. The irrigating season generally covers a period of about five months. Complainants allege that the rate paid by them, namely \$36.50 per miner's inch, is based on 10 cents per miner's inch for each twenty-four hours in the year. They state that they need the water only during certain months of the year and contend that they should not be compelled to pay for the remaining period of the year. This contention goes simply to the method of computing the rate. Defendant is entitled to a rate which, under all the circumstances, is fair to it and to its customers. It makes very little difference whether in stating this rate a small sum per day is multiplied by 365, or a larger sum by a lesser number of days. The real issue is to determine the total rate which should be paid, and we should not permit ourselves to become confused by the different multiplications by which that sum may be ascertained.

While this system was owned by South Feather Water and Union Mining Company, the rate was 10 cents per miner's inch for a twenty-four hours' actual use. Whenever a customer desired water, he tendered in payment in advance the sum of 10 cents per miner's inch per day for the number of miner's inches desired, and the water was turned on. During 1907, the customers voluntarily paid  $12\frac{1}{2}$  cents instead of 10 cents, because of considerable losses sustained by the water company. After the present company bought the system, the rate was arbitrarily raised to \$36.50 per miner's inch per year, payable in advance. The customers were told that the company needed the money and that if they failed to pay they would receive no water. This was before the Railroad Commission secured its powers under the Public Utilities Act, and the customers of this system had no alternative but to pay the amount demanded or go without water.

In order to determine a fair and reasonable rate to be established for water delivered by defendant, it will be necessary to consider the value of its property, a proper amount to be allowed for depreciation, proper expenditures for operation and maintenance, and the use of water under this system.

Mr. R. W. Hawley, this Commission's hydraulic engineer, and Mr. George S. Nickerson, defendant's engineer, agree in an estimate of \$330,186.00 to reproduce this property new and of \$300,604.00 as the depreciated reproduction value. Defendant's counsel frankly stated that if the company received a fair return on this value it would "run its customers away," and that the company did not wish to raise its price so high, even if this Commission were willing to do so. The evidence shows that the system was purchased by defendant for the sum of \$30,000.00; that the company proposed to issue 15,000 shares of its stock at 40 cents per share to outside persons to pay for promotion services; that the sum of \$967.82 was received by the company from the sale of stock; and that defendant has expended a sum which it is difficult to segregate but which is in the neighborhood of \$28,161.01 on capital account since it acquired the property. These sums are:

Initial purchase .....	\$30,000 00
Expenses incidental to purchase.....	6,967 82
Additional capital expenditures.....	28,161 01
<b>Total investment .....</b>	<b>\$65,128 83</b>

As hereinbefore stated, this system was not constructed as an irrigation project, but for the purpose of selling water to the mines. Viewed from the standpoint of an irrigation system, it is clear that the system, when it shall be constructed to its full efficiency, can irrigate several thousand acres in addition to those now being irrigated. It does not seem equitable to ask the present limited number of consumers to pay a rate which shall yield a return on the entire value of the system. Defendant itself fully concedes this conclusion. It is evident that the value which should be assigned to defendant's property for the purpose of this case will be somewhere between the sum of \$330,186.00 and \$65,128.83. I find that a fair and reasonable amount to charge under the head of return on the investment, to the present customers and those who may be taken on in the near future, should not exceed the sum of \$8,000.00 per annum. This sum represents a return of 6 per cent on \$133,333.33, 7 per cent on \$114,285.72 and 8 per cent on \$100,000.00.

Using the estimated reproduction cost new as a basis, estimating depreciation on the sinking fund basis, and assuming that moneys in the sinking fund will earn only four per cent interest, the amount which should be set aside annually for the depreciation fund would be \$1,424.00.

Referring now to the cost of operation and maintenance, including taxes, I desire to draw attention to defendant's profit and loss statement for the year ending December 31, 1913, as follows:

**TABLE I.**  
**Profit and Loss, 1913.**

<b>(A) Income—</b>		
<b>(1) Water sales—</b>		
(a) Contract .....	\$5,067 21	
(b) Sundry .....	2,840 37	
(c) Dredgers .....	4,271 40	
		\$12,178 98
<b>(2) Water rights .....</b>		2,116 38
<b>Total income for 1913.....</b>		<b>\$14,295 36</b>
<b>(B) Costs—</b>		
<b>(1) Automobile expense—</b>		
(a) Gas and oil .....	\$113 88	
(b) Repairs .....	123 90	
(c) Storage .....	22 65	
(d) Tires .....	86 28	
(e) Miscellaneous .....	15 25	
		\$361 96
<b>(2) Management—</b>		
(a) Salary .....	\$1,625 00	
(b) Expense .....	132 95	
		\$1,757 95
<b>(3) Operation</b>		
(a) Salaries .....	\$3,715 00	
(b) Supplies .....	244 07	
(c) Rig hire .....	5 00	
		\$3,964 07
<b>(4) General expense—</b>		
(a) Grain .....	\$66 75	
(b) Hauling .....	28 15	
(c) Legal .....	194 50	
(d) Options .....	75 00	
(e) Taxes .....	662 02	
(f) Miscellaneous .....	78 90	
		\$1,105 32
<b>(5) Office expense—</b>		
(a) Rent .....	\$273 00	
(b) Phone .....	56 16	
(c) Salaries .....	502 36	
(d) Postage .....	35 75	
(e) Stationery .....	51 65	
(f) Miscellaneous .....	102 56	
		\$901 48
	\$1,021 48	
Less paid by Wyandotte and Mission..	120 00	
<b>(6) Interest on note.....</b>		739 70
<b>(7) Reserve for depreciation.....</b>		5,243 33
		\$14,073 81
<b>Profit for 1913.....</b>		<b>\$221 55</b>

This table shows an expense, apart from interest and depreciation reserve, amounting to \$8,090.78. The item for depreciation reserve was set aside for the first time in 1913 and is considerably in excess of the defendant's view as to a proper annual amount to be set aside for this purpose. The sum of \$8,090.78 clearly includes expenditures properly chargeable to capital account in addition to those chargeable to operation

and maintenance. Mr. Hawley testified that \$6,350.00 would be a proper annual allowance for operation and maintenance, including taxes, and his testimony stood unshaken. Assuming that this amount is proper for this purpose, the following table shows the revenue which defendant is entitled to earn each year.

**TABLE II.**  
**Revenue to Which Defendant is Entitled.**

Return on value of property.....	\$8,000 00
Depreciation .....	1,424 00
Operation and maintenance (including taxes).....	6,350 00
<b>Total .....</b>	<b>\$15,774 00</b>

Defendant's gross revenue for the year 1913 from the sale of water was as follows:

**TABLE III.**  
**Water Revenue, 1913.**

Contract users .....	\$5,067 21
Non-contract users .....	2,840 37
Dredges .....	4,271 40
<b>Total revenue .....</b>	<b>\$12,178 98</b>

The item of "water rights \$2,116.36" shown in Table I is a misnomer. It does not represent payments for water rights, but rather payments by persons with whom defendant contracted to hold water for them and to install certain pipes and ditches. The total revenue from the sale of water in 1913 is apparently below the revenue to which defendant is reasonably entitled.

Before establishing the rate, it becomes necessary to consider the present and prospective use of defendant's water. Defendant's Exhibit No. 6 purports to show the total water delivered in 1913, partly in terms of acres irrigated and partly in terms of miner's inches delivered. The following table contains a summary of this exhibit:

**TABLE IV.**  
**Water Data, 1913.**

Contract consumers—acres under contract.....	2,521.35 acres
Contract consumers—acres irrigated.....	1,037.17 acres
Agreement for contracts.....	976.37 acres
Dredges .....	82 miner's inches
Non-contract consumers .....	69.08 miner's inches

The payment in 1913 for water used on contract lands amounted to \$5,067.21, which sum at the rate of \$36.50 per miner's inch, would pay for 139 miner's inches. These figures show an average use of water on

contract lands of one miner's inch to 7.5 acres. The amount paid in 1913 for water used by dredges was \$4,271.40. At \$36.50 per year for one miner's inch, this would indicate that the amount of water used by the dredges was 117 miner's inches instead of 82 as reported by defendant. Apparently there is an error also in the number of miner's inches sold to non-contract users. The sum paid by these users in 1913, as shown on Railroad Commission's Exhibit No. "J," was \$2,840.37, which sum divided by \$36.50 gives 77.8. I shall assume that this is the correct number of miner's inches sold to non-contract users in 1913.

The following table shows a corrected use of water in 1913, in terms of miner's inches:

**TABLE V.**  
**Water Used in 1913.**

Under contract .....	139.00 miner's inches
Non-contract .....	77.8 miner's inches
Dredges .....	117.00 miner's inches
<b>Total .....</b>	<b>333.8 miner's inches</b>

It seems fair to assume that at least this amount of water will be actually used during 1914 and in the years subsequent thereto.

Defendant has in certain cases, especially with the affiliated Wyandotte Land Company, owning land in the vicinity of Wyandotte, contracted to deliver water in excess of the amount now actually used. The company, in consideration for the payment of \$20.00 per miner's inch has contracted to hold the desired amount of water and to build certain extensions. The amount of land not now using water as to which such contracts have been made amount to 2,406.55 acres. If this land hereafter takes water at the same ratio as the contract lands now irrigated, 328 miner's inches must be held available by defendant for them. It would seem entirely proper that if these lands are to have the right to call upon the system for water, they should pay their fair proportion of interest on the investment and depreciation or lose their preferential rights. The order herein will so provide.

By adding the miner's inches actually supplied in 1913 to those contracted for but not used, we have a total of 661.8 miner's inches. We are thus confronted with the question of the capacity of the system. Mr. Hornung, defendant's general manager, testified that the safe minimum yield of the system, at the canal headings, is 1,200 miner's inches. He testified further that while 430 inches are at present lost in transmission, this loss is extraordinary. In his opinion, a 20 per cent loss would be normal. Hence the system, under his computation, could normally deliver a minimum of 960 miner's inches—an amount considerably in excess of the demands, present and prospective, of the present contract

and non-contract users. It thus appears that by making the necessary improvements this company will be able to take on considerable additional acreage. The testimony shows that a number of people desire to place additional land in cultivation and to take additional water from defendant.

In establishing the rate, I believe it just and reasonable to establish a two-part rate—one part representing a return on the investment and an allowance for depreciation, to be paid by all lands receiving water or claiming water under contract, and the other part to be paid for the amount actually used under the right established by the first part. I find on the facts of this case that a fair and reasonable rate to be charged by defendant for its water used for domestic and irrigation purposes is the sum of \$15.00 per miner's inch per annum to be charged for each miner's inch applied for by non-contract users or covered by contract, whether the water is actually used or not, to be paid in advance at the beginning of the season at a time to be established by defendant in its rules and regulations, plus the sum of 10 cents per miner's inch per twenty-four hours, to be paid for all water actually delivered for use at the times to be established in rules and regulations to be presented by defendant and approved by this Commission. Defendant's rules and regulations should provide that if the stand-by charge of \$15.00 per miner's inch is not paid within a specified time each year, the land affected shall lose any prior or preferred right to water and shall thereafter stand on no better footing than any other land which has never received water from the system or has never had a contract right to receive water.

If the stand-by charge of \$15.00 per miner's inch is paid on all water delivered or held in reserve in 1913, the revenue derived from this charge will be \$9,927.00, an amount somewhat in excess of the sum of the return on the investment and the depreciation.

The dredges use great quantities of water continuously and are entitled to a lower rate than other users. Their rate is not questioned in this proceeding and will remain the same as heretofore until questioned either by the defendant or by the owners of the dredges. Assuming that the revenue from dredges in 1914 will be the same as in 1913, namely \$4,271.40, and that the stand-by charge of \$15.00 per miner's inch is included in this amount, the service charge to be paid by the dredges will amount to \$2,516.00. If the remaining 216.8 miner's inches of water used in 1913 continue to be used during the five months of normal use, the amount paid for service charge would be an average of \$15.00 per miner's inch for the season, or a total of \$3,252.00. The total revenue from the service charge would thus be \$5,768.00. Adding this amount to the revenue from the stand-by charge yields a total estimated revenue of \$15,695.00. With a normal allowance for an increase

in business, the revenue produced by the rates herein established will yield a margin above the revenue to which defendant is entitled. This margin may be used to take care of such losses, if any, as may ensue from such lands, if any, as may forfeit their rights to water.

The effect of the rates herein established may be illustrated by the case of the plaintiff Cole. He now pays \$36.50 for one miner's inch of water. He testified that in 1904 he used 130 inches of water; in 1905, 180 inches; in 1906, 105 inches, and in 1907, 125 inches. The average use during these years was 135 inches. If he uses this average amount of water henceforth, he will pay as follows:

Stand-by charge .....	\$15 00
Service charge, 135 inches at 10 cents.....	13 50
<b>Total charge .....</b>	<b>\$28 50</b>

On the other hand, land which is demanding that defendant hold water for it to the exclusion of other lands actually desiring water, which land is of considerably greater value by reason of the reservation of the water but is now paying nothing or very little, will henceforth pay its fair stand-by charge or lose its position of advantage.

## 2. Water Right Payments.

Complainants allege that owners of new lands desiring water from defendant's system must first pay for a water right. The evidence shows that defendant makes no such charge and that it has been duly informed by its counsel that it has no right to impose any such charge. Mr. Hornung testified that if any of the complainants, or any one else desiring water for new land under the system, will simply make the usual application, he can secure the water, up to the limit of the defendant's capacity to serve, by simply paying the regular rate at which all consumers secure water.

As hereinbefore stated, the evidence shows that the payments made under the so-called water right contracts at Wyandotte were not made for a water right, but to induce defendant to hold for the owners of the land water not now used by them and to secure the construction by defendant of certain extensions to its system.

## 3. Inadequacy of Supply.

Complainants allege that they have not been securing the amount of water for which they have made payment. The evidence on this point is not satisfactory and not sufficiently positive to warrant an order in this case. Defendant, at the hearing, showed a commendable disposition to meet its obligations, and I feel confident that if there is merit in this claim, defendant, now that its attention has been drawn to the matter, will take the necessary steps to remedy the situation if any action is necessary.

**4. Deprivation of Water From Persons Entitled Thereto.**

The evidence supports the claim of complainants that defendant has failed to deliver water to persons who for many years had been served from this system and who demand a continuance of the service from this defendant.

Two of these persons, A. Henrici and Miss Barbara Wenek, live in what is known as the old Constadt Colony. Although they have continuously made application for water to this defendant, and have offered to pay the old rates, they have received no water since May, 1909. Since that time, part of the ditch leading to the colony has been plowed up by third parties and part of the flumes have been removed by or under the direction of defendant's agents. Defendant's counsel frankly stated that he would advise his client that the company can not deliberately abandon part of its system and refuse further delivery of water to people who by use have acquired a right thereto. Mr. Henrici testified that he still wants the water, although most of his fruit trees have dried up, but that he would pay only the old rate which was in effect before the present company secured the property. Mr. Henrici apparently has not been well advised and does not know that the rate to be established by this Commission will now be the lawful rate, notwithstanding any earlier contract rate, if, indeed, Henrici ever had a contract rate. Defendant will be directed to supply water again to Mr. Henrici and Miss Wenek, but only after having received application from them under the rates herein established.

The evidence also shows that certain persons residing at Swede's Flat, who formerly received water from defendant's predecessor, have been cast away and that they also have had heavy losses in their fruit trees. They, likewise, are entitled to a continuance of their former service at the established rates. The Commission is in receipt of a letter dated June 8, 1914, from Mr. George S. Nickerson, defendant's engineer, stating that an arrangement was made subsequent to the hearing herein whereby defendant will now deliver water to these persons at a point mutually agreed upon.

After the statement made by the Commissioner at the hearing, it will not be necessary to remind the defendant again that it can not purchase a water system and then cut off all the unprofitable laterals and deny water to consumers who for years have enjoyed its use from the system. A purchaser of property devoted to a public use takes it subject to all its obligations—those which are unprofitable as well as those which are profitable.

I submit herewith the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding and the case having been submitted and being now ready for decision,



the Railroad Commission hereby finds as a fact that the existing rates charged for water by defendant public utility are unreasonable in so far as they differ from the rates herein established, and that the rates herein established are fair, just, and reasonable rates to be charged by defendant.

The Railroad Commission further finds that it is the duty of defendant to deliver water to A. Henrici and Miss Barbara Wenck on the Constadt Colony tract, and to any other former customer on that tract whom defendant refused on demand to continue to serve, provided that such persons agree to pay the rates herein established. Basing its order on the foregoing findings of fact and on the further findings which are contained in the opinion which precedes this order,

*It is hereby ordered* that South Feather Land and Water Company be and the same is hereby ordered to file with this Commission and to make effective as of July 1, 1914, the following rate for water: a charge of \$15.00 per miner's inch per annum, which charge shall be made on all water delivered for irrigation and domestic use, and also on all water which defendant has contracted or may hereafter contract to reserve for intending users, but which may not at the time actually be used for either of said purposes, to which charge shall be added a service charge of 10 cents per miner's inch per twenty-four hours for all water actually delivered by defendant for use. South Feather Land and Water Company shall, within thirty days from the date of this order, prepare and submit to this Commission rules and regulations providing for the payment of said \$15.00 charge at the beginning of the irrigation season, and for the loss of its position of advantage by any land as to which said payment is not made within a specified time after said date and after written demand therefor by defendant. Said rules and regulations shall also provide for the time of payment of such sums as may be necessary to meet said service charge for water actually delivered. Defendant shall make the necessary adjustments so as to make the rate herein established applicable for the entire year 1914 and shall make such rebates as may be necessary in the case of persons who have already paid for this year's water in advance.

*It is further ordered* that South Feather Land and Water Company be and the same is hereby ordered to deliver at its own expense water at the rates herein established to A. Henrici, Miss Barbara Wenck, and any other landowner in the Constadt Tract to whom the defendant has heretofore failed after demand to continue the delivery of water, but only after such person shall have made demand for such water and agreed to pay the rates herein established.

No order is made in the Swede's Flat matter for the reason that the Commission understands that defendant has resumed the delivery of water to the persons residing there as to whom delivery was wrongfully denied.

The rate for water used by the dredges is not in issue in this proceeding and remains as heretofore.

*It is further ordered* that in other respects the complaint in the above entitled proceeding is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.

DECISION No. 1636.

IN THE MATTER OF THE APPLICATION OF THE CITY OF  
GLENDALE TO ESTABLISH A GRADE CROSSING IN SAID  
CITY OVER THE TRACKS OF PACIFIC ELECTRIC RAIL-  
WAY COMPANY.

Application No. 1172.

*Decided June 30, 1914.*

City of Glendale applies for permission to construct at grade, Seventh street and Chestnut street, across the tracks of the Pacific Electric Railway Company in said city, which, owing to the great number of trains passing daily, would make such crossings extremely dangerous and there being no immediate necessity of such crossing, there being three other crossings within the immediate vicinity, application denied.

*W. E. Evans*, city attorney, for City of Glendale.

*Frank Karr*, for Pacific Electric Railway Company.

REPORT OF THE COMMISSION.

*GORDON, Commissioner.*

This is an application filed June 6, 1914, by the city of Glendale, through its city authorities, for permission to cross at grade the tracks of Pacific Electric Railway Company, at Seventh street and Chestnut street, in the city of Glendale. On June 26, 1914, a hearing was held in regard to this application in the city of Glendale. This application asks for the opening of the two streets mentioned above across two tracks of Pacific Electric Railway Company on private right of way. Brand boulevard runs north and south through the city of Glendale and is substantially two streets, each forty feet wide, between which is the forty-foot right of way of the Pacific Electric Railway Company. Two hundred and ninety-five feet to the north of Seventh street is Sixth street, which has an open and graded crossing. To the south of Seventh street two hundred and ninety-two feet is Lomita avenue, which is also open. To the north of Chestnut street Lomita avenue is three

hundred and fifty feet. To the south Maple street is open and is but three hundred and fifty feet away.

Pacific Electric Railway Company has on its right of way a double track line over which more than one hundred trains pass every day. These cars run beyond Glendale to North Glendale, a distance of about two miles and they are operated over the two streets in question at high speed. At the hearing it developed that the opening of Seventh street and Chestnut street would increase property values along these two streets to some extent, but it was not shown that the opening of these streets was essential to the convenience of the traveling public. The Pacific Electric right of way is not fenced along Brand boulevard. Pedestrians now cross at will the right of way of the Pacific Electric Railway to go from one side of the street to the other, and the only inconvenience which the lack of these two crossings causes is to drivers of vehicles who use the streets in this vicinity. It was shown that neither Seventh street nor Chestnut street were main thoroughfares, and it was also shown that these streets were not likely to become such. If these two streets were open it would mean that between Maple street and Sixth street, including these two streets, there would be five open crossings in a distance of about thirteen hundred feet. With so many open crossings in such a short distance this would either necessarily cause the Pacific Electric to operate over this stretch about as a street railway would do, or it would increase to a large extent the hazard to human life. While undoubtedly at some future date with the growth of Glendale, the tracks of the Pacific Electric Railway will have to be so graded that its entire right of way between these streets will be thrown open to the public, I am of the opinion that now the three streets which are open in this vicinity, namely, Sixth street, Lomita avenue and Maple street, are ample to serve the convenience of the public, and that the application should be denied.

I submit the following order:

**ORDER.**

City of Glendale, a municipal corporation, having on June 6, 1914, filed an application with the Commission for permission to cross at grade the tracks of Pacific Electric Railway Company in said city of Glendale, Los Angeles County, California, and on June 26, 1914, a hearing having been held on this application, and it appearing for the reasons set forth in the opinion that this application should be denied.

*It is hereby ordered*, that this application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.

## DECISION No. 1637.

GARNETT A. JOSLIN

*vs.*

SOUTHERN PACIFIC COMPANY.

Case No. 600.

*Decided June 30, 1911.*

Complainant alleges that defendant, owning a spur track leading off its main line between tunnels Nos. 7 and 8, on the Coast Division, refuses to operate said spur so as to serve complainant's quarry situated thereon.

*Held*, That to serve the spur in question, freight engines, while they picked up and set out cars, would be required to leave their train unprotected upon the main line on a heavy grade, and at times, partly within one of the tunnels, which would make the operation of this particular piece of road extremely dangerous. Complaint dismissed.

*C. E. Joslin*, for Complainant.

*Henley C. Booth*, for Defendant.

## REPORT OF COMMISSION.

LOVELAND, *Commissioner*.

The complainant in this case asks that the Southern Pacific Company be required to open for commercial use a spur track leading off from its main line between tunnels Nos. 7 and 8, located between the stations of Cuesta and Serrano on its Coast Division, the use of which, as a loading track for crushed rock shipments, it has demanded and been refused by the defendant because of alleged operating difficulties.

The complainant is the lessee of a large and valuable deposit of rock suitable, when crushed, for road and concrete work, which is situated alongside this spur track, and he proposes to install a plant for quarrying and crushing this rock if the spur is opened for commercial use and proper rates established. The complainant alleges that there is a great and immediate demand for the crushed rock that can be secured from this deposit, by the State Highway Commission for use in constructing the state highway in the vicinity of San Luis Obispo, and in addition that there is also a large local demand in and about San Luis Obispo, which is likely to continue and perhaps increase; that the rock in the proposed quarry is the most suitable and the only known deposit in the immediate vicinity which meets the requirements of the specifications and demands of the road work contemplated. While it does not appear from the records that the complainant has in any instance closed contracts to furnish rock from the proposed quarry, it does appear that there would be no difficulty in securing the contract from the State Highway Commission and other contracts for contemplated

work in the vicinity of San Luis Obispo if the spur were opened and the usual rate of transportation established therefrom on crushed rock.

The spur track now laid is a temporary one, with ties spaced far apart and unballasted and of unstable construction, and was originally installed as a temporary construction spur track, to be used in connection with the repair and reconstruction of tunnel No. 7, which was badly damaged by fire during the latter part of the year 1913. The spur leads off from the main line 372 feet east of the east portal of tunnel No. 7 and approximately 915 feet west of the west portal of tunnel No. 8 and the grade of the track is approximately 1.65 per cent in the reverse direction from the grade of the main line, and were the spur established as a loading place for commercial shipments, it would have to be practically reconstructed. The complainant, however, is willing to stand the expense necessary to put the track in shape for commercial use. The main line between the east portal of tunnel No. 7 and the west portal of tunnel No. 8, has a double reverse curve and the ruling grade from the east portal of tunnel No. 7 to San Luis Obispo is 2.20 per cent.

The section of the line of the defendant between Santa Marguerita and San Luis Obispo, on account of the tunnels, its grades and curvatures, is considered by the carrier more dangerous to operate than any similar piece of track on its Coast Division. The carrier has provided special rules to govern the speed of trains over this particular piece of track, including the use of retaining valves on all trains passing over this district. Additional air brake tests are required at both Santa Marguerita and San Luis Obispo on all trains before proceeding over this piece of track, and, in general, every safeguard has been placed around the operation of what is unquestionably a hazardous section of track. Helper engines are employed each way on all through freight trains and many of the local freight trains passing over this track.

If a commercial spur were opened at the east portal of tunnel No. 7 the crushed rock shipments therefrom and the empty cars thereto would be handled on local freight trains generally handled by one engine. and in picking up carloads of crushed rock at that point the engine would have to uncouple and let the balance of the train stand on the main line where the grade is heavy until the loaded cars were picked up and placed in the train. In picking up eastbound shipments, in which direction it is estimated the preponderance of shipments would move, the rear end of the train standing on the main line would generally extend into tunnel No. 7, as the switch leading to the spur is but 372 feet east of the east portal of that tunnel. The flagman going to the rear to protect the standing train, for the distance required by the standard rules, would have to proceed through tunnel No. 6, filled with the smoke from the engine on his train. Empty cars moving westbound to this point would have to be pushed in front of the engine up a heavy

grade and through tunnels Nos. 8, 9 and 10, so that they could be set out for loading by the engine at this spur track as there is no open siding between tunnels Nos. 7 and 10 where the empties could be switched out of the train and ahead of the engine, and likewise, loaded cars for points west of tunnel No. 7 would have to be switched out of the spur by the engine and pushed ahead of the engine through tunnel No. 6 to Cuesta, at which point there is a siding where the cars could be switched and properly placed in the train, unless such trains had two or more engines attached. That this manner of operating trains would be dangerous hardly need be stated. Some of these operating difficulties could be overcome, but to do so would necessitate that the trains be assembled at the terminals with the idea principally in view of serving this particular spur, or that an exclusive train serve this spur, which would materially increase the cost of the service, and if reflected in the rate of transportation charged make the profitable operation of the crushed rock plant doubtful. Nor is it practicable to construct a run-around track between tunnels Nos. 7 and 8 to take care of any switching movement necessary to properly serve the spur, for the reason that any further excavation in the mountainside will greatly increase the possibility of land slides during the winter months which might result in great injury to or loss of life and block this division for long periods. The hazard of operating trains over this section of track would undoubtedly be increased by opening this spur for commercial use, and it is my opinion that the carrier should not be required thus to add to what is already a hazardous operation. I, therefore, recommend that the complaint be dismissed and that it be so ordered.

I submit the following form of order:

**ORDER.**

Garnett A. Joslin having filed a complaint with this Commission against the facilities and service of the Southern Pacific Company at the spur track near the east portal of tunnel No. 7 on its Coast Division, and a hearing having been held and being fully apprised in the premises, and basing its order on the findings of fact in the preceding opinion,

*It is hereby ordered*, by the Railroad Commission of the State of California, that the complaint be and the same is hereby dismissed.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.

## DECISION No. 1638.

IN THE MATTER OF THE APPLICATION OF BOARD OF SUPERVISORS OF SANTA CLARA COUNTY, CALIFORNIA, FOR THE ESTABLISHMENT OF A PUBLIC ROAD IN ROAD DISTRICT NUMBER FOUR, OF SAID COUNTY, SUCH ROAD TO CROSS THE TRACKS OF SOUTHERN PACIFIC COMPANY.

---

Application No. 1164.

*Decided June 30, 1914.*

---

Application of the board of supervisors of Santa Clara County for permission to construct McKendrie street in College Park across the tracks of the Southern Pacific Company, which crossing if constructed, would be extremely hazardous, and is not at the present time necessary, application denied.

*G. D. Squires*, for Southern Pacific Company.

## REPORT OF THE COMMISSION.

GORDON, *Commissioner*.

On June 1, 1914, the board of supervisors of Santa Clara County, California, filed with the Commission a petition asking for permission to cross at grade the tracks of Southern Pacific Company in Road District No. 4, Santa Clara County, California. Said application was accompanied by a certified copy of the petition and of the order appointing viewers. This petition asked for permission to open McKendrie street in College Park across six (6) tracks of the Southern Pacific Company. On June 25, 1914, a hearing was held in San Jose, at which the interested parties were represented. The streets open nearest to McKendrie street are Hedding street, about four hundred feet southeasterly, and Newhall street, about thirteen hundred feet northwesterly from this proposed crossing. Of the six tracks to be crossed by said McKendrie street, three are main line tracks, one is a passing track, one a drill track, and one a spur track to serve the Capitol Refining Company.

This is an exceedingly busy piece of track and the opening of an additional street across the right of way of the Southern Pacific Company would increase very much the hazard to human life and should be granted only under conditions guaranteeing proper protection and after urgent need had been shown for the same. At the hearing it developed that the residents of Santa Clara in the vicinity of this crossing, which the opening of this street across the track would directly benefit, were not to exceed eight or ten. It was further shown that the inconvenience caused to these people by the lack of this street crossing is

limited to an additional walk or drive of about four hundred feet. It appears, therefore, that the public convenience does not justify the opening of this street without the installation of expensive protective devices at this time; and it further appears that without such protective devices this proposed crossing would be extremely hazardous. For this reason I believe this application should be denied.

In this connection it seems proper to call the attention of the Southern Pacific Company to the condition of the existing crossings at Hedding and Newhall streets, and I would recommend to them that these two crossings be resurfaced and placed in a better condition for travel in the near future.

I submit the following order:

**ORDER.**

Application having been made by the board of supervisors of Santa Clara County, California, for permission to cross at grade the tracks of Southern Pacific Company in Road District No. 4, in said county, and said application having been accompanied by a certified copy of the petition and of the order appointing viewers; and a hearing having been duly held, and it appearing to the Commission that for the reason set forth in the foregoing opinion, said application should be denied,

*It is hereby ordered* that this application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 30th day of June, 1914.



## GRADE CROSSINGS.

Decision No.	Application No.	Applicant	Location	Disposition	Date
1194	916	Northwestern Pacific R. R.	Healdsburg	Granted	Jan. 8, 1914
1195	924	Minkler Southern Railway.	Redbanks	Granted	Jan. 13, 1914
1203	646	Pacific Electric Ry. Co.	San Fernando	Granted	Jan. 16, 1914
1208	935	Southern Pacific Co.	San Jose	Granted	Jan. 17, 1914
1209	938	Southern Pacific Co.	San Francisco	Granted	Jan. 17, 1914
1226	949	San Francisco-Oak. Term. Railways	Richmond	Dismissed	Jan. 24, 1914
1240	943	Pacific Electric Ry.	San Dimas	Granted	Jan. 30, 1914
1241	955	A. T. & S. F. Ry.	Huntington Park	Granted	Jan. 30, 1914
1249	962	Southern Pacific Co.	El Prado	Granted	Feb. 4, 1914
1250	965	County of Orange	Tustin Junction	Granted	Feb. 4, 1914
1251	963	County of Tulare	Zante	Granted	Feb. 4, 1914
1252	964	County of Tulare	Strathmore	Granted	Feb. 4, 1914
1259	614	A. T. & S. F. Ry.	Upland	Granted	Feb. 6, 1914
1270	979	Southern Pacific Co.	Porterville	Granted	Feb. 9, 1914
1285	983	Southern Pacific Co.	Clotho	Granted	Feb. 17, 1914
1286	986	County of Sacramento	Sacramento Co.	Granted	Feb. 17, 1914
1292	664	A. T. & S. F. Ry.	Vernon	Granted	Feb. 19, 1914
1293	989	Tidewater Southern Ry. Co.	Modesto	Granted	Feb. 19, 1914
1294	991	Southern Pacific Co.	San Francisco	Granted	Feb. 19, 1914
1311	1009	Northwestern Pacific R. R. Co.	Sebastopol	Granted	Mar. 2, 1914
1312	1016	Southern Pacific Co.	Alhambra	Granted	Mar. 2, 1914
1337	1019	Pacific Electric Ry. Co.	Glendora	Granted	Mar. 11, 1914
1338	1021	County of Merced	Merced	Granted	Mar. 11, 1914
1339	1024	County of Yolo	Woodland	Granted	Mar. 11, 1914
1340	1012	Crescent City Railway	Rialto	Granted	Mar. 11, 1914
1354	1030	Pacific Electric Ry. Co.	Azusa	Granted	Mar. 18, 1914
1355	1022	County of Merced	Atwater	Granted	Mar. 17, 1914
1356	1014	Sacramento Valley Electric	Solano	Granted	Mar. 17, 1914
1357	1032	Pacific Electric Ry. Co.	Rialto	Granted	Mar. 17, 1914
1375	459	Northern Electric Ry. Co.	Cement	Extension	Mar. 24, 1914
1378	1055	A. T. & S. F. Ry.	Fresno	Granted	Mar. 26, 1914
1395	1039	Crescent City Railway	San Bernardino	Granted	Apr. 3, 1914
1396	972	County of San Bernardino	Claremont	Granted	Apr. 3, 1914
1430	1070	Southern Pacific Co.	San Luis Obispo	Granted	Apr. 13, 1914
1431	1072	County of Imperial	Bernice	Granted	Apr. 13, 1914
1432	1069	Southern Pacific Co.	Lompoc	Granted	Apr. 13, 1914
1433	1062	San Pedro, Los Angeles & Salt Lake	Los Angeles	Granted	Apr. 13, 1914
1434	597	Pacific Electric Ry. Co.	Orange	Granted	Apr. 13, 1914
1461	1081	Minkler Southern Ry. Co.	Woodlake	Granted	Apr. 25, 1914
1463	1023	County of Merced	Merced	Dismissed	Apr. 28, 1914
1476	929	A. T. & S. F. Ry.	Vernon	Granted	May 4, 1914
1477	1009	City of Banning	Banning	Granted	May 4, 1914
1478	1107	Pacific Coast Ry. Co.	San Luis Obispo	Granted	May 4, 1914
1479	1103	Southern Pacific Co.	Armona	Granted	May 4, 1914
1480	1077	City of Upland	Upland	Granted	May 4, 1914
1481	1100	County of Los Angeles	Kester	Granted	May 4, 1914
1493	655	Minkler Southern Ry. Co.	Tulare County	Granted	May 12, 1914
1494	877	Minkler Southern Ry. Co.	Tulare County	Granted	May 12, 1914
1495	1073	Minkler Southern Ry. Co.	Redbanks	Granted	May 12, 1914
1496	1091	Minkler Southern Ry. Co.	Exeter	Granted	May 12, 1914

## GRADE CROSSINGS—Continued.

Decision No.	Application No.	Applicant	Location	Disposition	Date
1497	1097	Pacific Gas & Electric Co.	Sacramento	Granted	May 12, 1914
1498	1102	Tidewater Southern Ry. Co.	Stockton	Granted	May 12, 1914
1499	1119	Southern Pacific Co.	Walnut Grove	Granted	May 12, 1914
1501	1114	A. T. & S. F. Ry.	Los Angeles	Granted	May 13, 1914
1502	1090	Pacific Electric Ry. Co.	Torrance	Granted	May 13, 1914
1509	1126	Southern Pacific Co.	Rocklin	Granted	May 15, 1914
1510	1118	Modesto Interurban Ry. Co.	Empire	Granted	May 15, 1914
1516	1123	San Diego & Southeastern Ry.	San Diego	Granted	May 18, 1914
1517	1124	San Diego & Southeastern Ry.	San Diego	Granted	May 18, 1914
1518	1125	Northwestern Pacific R. R.	Wendling	Granted	May 18, 1914
1522	37	Sac'to & Woodland Ry.	Mikon	Dismissed	May 18, 1914
1535	1096	County of Contra Costa	Concord	Granted	May 22, 1914
1538	1143	Central Pacific Ry. Co.	Chico	Granted	May 23, 1914
1562	1151	Southern Pacific Co.	San Francisco	Granted	June 4, 1914
1566	1149	Southern Pacific Co.	Santa Barbara	Granted	June 5, 1914
1567	1150	Southern Pacific Co.	Hardwick	Granted	June 5, 1914
1569	1156	Southern Pacific Co.	Lompoc	Granted	June 9, 1914
1570	1121	County of San Joaquin	Weston	Granted	June 9, 1914
1571	1087	Pacific Gas & Electric Co.	Sacramento	Granted	June 9, 1914
1584	1178	A. T. & S. F. Ry.	San Francisco	Granted	June 16, 1914
1585	1182	Southern Pacific Co.	Burlingame	Granted	June 16, 1914
1595	1169	Pacific Electric Ry. Co.	Anaheim	Granted	June 22, 1914
1596	1176	Southern Pacific Co.	Calexico	Granted	June 22, 1914
1197	1179	City of El Centro	El Centro	Granted	June 22, 1914
1598	1184	Southern Pacific Co.	Roache	Granted	June 22, 1914
1599	1185	Southern Pacific Co.	Modesto	Granted	June 22, 1914
1605	1189	Southern Pacific Co.	Lindsay	Granted	June 24, 1914
1606	1195	Pacific Electric Ry. Co.	Whittier	Granted	June 24, 1914
1607	1196	A. T. & S. F. Ry.	Orange County	Granted	June 24, 1914



## INDEX.

	Page
ABER, LOUIS, complaint of, against San Francisco and Oakland Terminal Railways .....	50
AGREEMENTS.	
Commission's right to amend .....	1203
Interpretation of, when Commission has right to .....	1155
Jurisdiction of Commission over certain forms .....	1155
Marysville and Colusa Branch, Northeastern Railway, application for approval of .....	1200
Northern Electric Railway, application for approval of operating .....	1200
Oakland, Antioch and Eastern Railway with Northern Electric Rail- way .....	1046, 1155
Pacific Gas and Electric Co. for approval of rate agreement .....	1166
Sacramento and Woodland Railway for approval of, with Northern Electric Railway .....	1200
Sawyer, Charles H., with Pacific Gas and Electric Co. ....	1166
Southern Counties Gas Co. of California for approval of .....	1146
See contracts.	
ALBERHILL, town of, clay rates from .....	268
ALEXANDER, S.	
Complaint against Southern Pacific Co. ....	283
Complaint against McCloud River Railroad .....	283
ALHAMBRA, town of, grade crossing at .....	1410
ALTADENA, town of, electric rates at .....	159
ALTURAS, town of, location of station, Nevada-California-Oregon Railway ..	995
AMERICAN TELEPHONE AND TELEGRAPH CO., application for rehearing, San Jose Telephone case .....	150
ANAHEIM, city of, grade crossing at .....	1410
ANDERSON, J. E., complaint of Reedley Telephone Co. against .....	1304
ANDERSON, J. R., application of, to sell gas plant .....	43, 56
ANNUAL REPORT, Bay Point and Clayton Railroad directed to file .....	79
ANTELOPE VALLEY TELEPHONE CO., application to increase rates, Lancaster .....	889
APPLICATIONS.	
No. 2 .....	342
No. 37 .....	1410
No. 38 .....	1272
No. 136 .....	810, 948, 1010
No. 270 .....	838
No. 301 .....	121
No. 350 .....	88
No. 336 .....	241
No. 370 .....	1391
No. 426 .....	838, 1391
No. 435 .....	1185
No. 439 .....	1036
No. 453 .....	493, 701
No. 459 .....	1410
No. 470 .....	14
No. 477 .....	231
No. 486 .....	588
No. 500 .....	117
No. 502 .....	951
No. 547 .....	902
No. 568 .....	987, 1173
No. 590 .....	97, 277, 588
No. 597 .....	1410
No. 614 .....	1410
No. 635 .....	686
No. 646 .....	1410
No. 651 .....	989

## APPLICATIONS—Continued.

	PAGE.
No. 655	1410
No. 664	1410
No. 668	196, 1351
No. 677	80
No. 678	364
No. 686	1257
No. 693	11, 319
No. 715	829
No. 721	937
No. 738	320
No. 744	200
No. 745	200
No. 751	702
No. 800	58
No. 808	177
No. 817	261
No. 819	91
No. 822	378
No. 827	60
No. 829	43, 56
No. 836	389
No. 837	168, 830
No. 843	466
No. 846	332
No. 847	205
No. 851	174
No. 867	165
No. 868	200
No. 869	200
No. 870	225
No. 871	247, 700, 1248
No. 874	39
No. 875	73
No. 878	168, 830
No. 877	1410
No. 878	735
No. 879	75
No. 880	124
No. 881	15
No. 885	61
No. 886	237, 303
No. 888	237, 303
No. 888	222
No. 889	212
No. 896	883
No. 897	218
No. 898	55
No. 899	50
No. 901	68
No. 903	71, 706
No. 904	30
No. 905	27
No. 906	425
No. 909	92
No. 910	233
No. 911	367
No. 914	46
No. 915	19
No. 916	1410
No. 917	975
No. 919	334
No. 920	21
No. 921	427
No. 922	418
No. 923	421

## APPLICATIONS -- Continued.

	PAGE.
No. 924 -----	1410
No. 925 -----	92
No. 926 -----	100
No. 927 -----	215
No. 928 -----	375
No. 929 -----	1410
No. 930 -----	290
No. 931 -----	242
No. 932 -----	386
No. 933 -----	392
No. 934 -----	438
No. 935 -----	1410
No. 938 -----	1410
No. 939 -----	142, 162
No. 940 -----	236
No. 941 -----	447, 456, 1018
No. 942 -----	447, 1035
No. 943 -----	1410
No. 944 -----	415
No. 947 -----	698, 806, 840
No. 948 -----	204
No. 949 -----	1410
No. 951 -----	219
No. 952 -----	519
No. 953 -----	226
No. 954 -----	127, 139
No. 955 -----	1410
No. 956 -----	90
No. 957 -----	197
No. 959 -----	423
No. 960 -----	140
No. 962 -----	1410
No. 963 -----	1410
No. 964 -----	1410
No. 965 -----	1410
No. 966 -----	707
No. 967 -----	707
No. 968 -----	707
No. 971 -----	414
No. 972 -----	1410
No. 974 -----	159
No. 975 -----	285
No. 976 -----	575
No. 977 -----	381
No. 978 -----	381
No. 979 -----	1410
No. 980 -----	370
No. 981 -----	370
No. 982 -----	191, 203
No. 983 -----	1410
No. 984 -----	953
No. 986 -----	1410
No. 987 -----	495
No. 989 -----	1410
No. 990 -----	1290
No. 991 -----	1410
No. 992 -----	348, 1036, 1354
No. 993 -----	450
No. 995 -----	402
No. 997 -----	1390
No. 999 -----	462
No. 1000 -----	350
No. 1001 -----	352
No. 1005 -----	433

## APPLICATIONS—Continued.

	PAGE.
No. 1006	484
No. 1008	621
No. 1009	1410
No. 1010	457
No. 1012	1410
No. 1013	788
No. 1014	1410
No. 1015	1255
No. 1016	1410
No. 1017	454
No. 1018	772
No. 1019	1410
No. 1020	615, 799
No. 1021	1410
No. 1022	1410
No. 1024	1410
No. 1025	657
No. 1026	372
No. 1027	890
No. 1028	629
No. 1029	778
No. 1030	1410
No. 1031	431
No. 1032	1410
No. 1033	436
No. 1034	705
No. 1036	492
No. 1037	1153
No. 1038	499, 763
No. 1034	1410
No. 1040	1049
No. 1041	775
No. 1042	793
No. 1044	751
No. 1045	795
No. 1046	718, 958, 1046
No. 1047	1129
No. 1048	749
No. 1049	750
No. 1050	723
No. 1051	1257
No. 1052	586
No. 1053	798
No. 1054	934
No. 1055	1410
No. 1056	703
No. 1058	924
No. 1060	753
No. 1062	1410
No. 1064	835
No. 1065	961
No. 1066	1293
No. 1067	780
No. 1069	1410
No. 1070	1410
No. 1071	764
No. 1072	1410
No. 1073	1410
No. 1074	1134
No. 1076	1124
No. 1077	1410
No. 1078	806
No. 1079	717
No. 1080	1027
No. 1081	1410

## APPLICATIONS—Continued.

	PAGE.
No. 1083 -----	1176
No. 1084 -----	1195
No. 1086 -----	1265
No. 1087 -----	1410
No. 1088 -----	1278
No. 1089 -----	1007
No. 1090 -----	1410
No. 1091 -----	1410
No. 1092 -----	940
No. 1093 -----	993
No. 1094 -----	1136, 1225
No. 1095 -----	1142
No. 1096 -----	1410
No. 1097 -----	1410
No. 1098 -----	1181
No. 1099 -----	1410
No. 1100 -----	1410
No. 1101 -----	983
No. 1102 -----	1410
No. 1103 -----	1410
No. 1104 -----	942
No. 1107 -----	1410
No. 1109 -----	949
No. 1110 -----	1187, 1355
No. 1113 -----	986
No. 1114 -----	1410
No. 1115 -----	1203
No. 1117 -----	1222
No. 1118 -----	1410
No. 1119 -----	1410
No. 1120 -----	1151
No. 1121 -----	1410
No. 1123 -----	1410
No. 1124 -----	1410
No. 1125 -----	1410
No. 1126 -----	1410
No. 1127 -----	1315
No. 1128 -----	1209
No. 1129 -----	1144
No. 1130 -----	1294
No. 1131 -----	1156
No. 1134 -----	1146
No. 1135 -----	1179
No. 1136 -----	1365
No. 1139 -----	1352
No. 1140 -----	1166
No. 1143 -----	1410
No. 1145 -----	1200
No. 1146 -----	1165
No. 1149 -----	1410
No. 1150 -----	1410
No. 1151 -----	1410
No. 1152 -----	1290
No. 1155 -----	1246
No. 1156 -----	1410
No. 1157 -----	1230
No. 1158 -----	1212
No. 1159 -----	1214
No. 1160 -----	1217
No. 1161 -----	1207
No. 1162 -----	1206
No. 1163 -----	1381
No. 1164 -----	1408
No. 1165 -----	1215
No. 1167 -----	1301



## APPLICATIONS—Continued.

	PAGE.
No. 1168 .....	1149, 1235
No. 1169 .....	1410
No. 1172 .....	1403
No. 1174 .....	1307
No. 1176 .....	1410
No. 1178 .....	1410
No. 1179 .....	1410
No. 1182 .....	1410
No. 1184 .....	1410
No. 1185 .....	1410
No. 1186 .....	1312
No. 1187 .....	1357
No. 1188 .....	1383
No. 1189 .....	1410
No. 1195 .....	1410
No. 1196 .....	1410
No. 1199 .....	1352
ARMONA, town of, grade crossing at .....	1410
ATCHISON, TOPEKA AND SANTA FE RAILWAY CO.	
Angels Lumber Co., complaint of .....	121
Barrels, wooden, to raise classification on .....	332
Clay rates, complaint against .....	268
Contra Costa, county of, application to cross tracks .....	1040
Fresno Traction Co., application of, to cross tracks .....	61
Grade crossings, applications for .....	1410
Hobart Estate, complaint of .....	121
Klein-Simpson Fruit Co., complaint of .....	1001, 1175, 1318
Less carload shipments, app. to increase minimum charge on .....	707
Long and short haul clause, general relief from .....	964, 967
General principles and basis to continue .....	973
Violations, to continue existing .....	969, 971
Los Angeles, county of, application to cross tracks .....	267
Minkler Southern Railway Co., application to purchase stock of .....	993
Pinney & Boyle Manufacturing Co., complaint of .....	404
Rates, applications to increase .....	46, 121
Scatena, L. & Co., complaint of .....	411
Sonora, city of, complaint of .....	121
State Commission in Lunacy, complaint of .....	705
Storage, application to increase L.C.L. rates on .....	290
Tariff on tanbark, application to amend .....	205
Tuolumne, county of, complaint of .....	121
Utica Gold Mining Company, complaint of .....	121
ATWATER, town of, grade crossing at .....	1410
ATWOOD, HARRY R. See ENCANTO MUTUAL WATER COMPANY.	
Commission's investigation, rates and service of .....	570, 871, 944, 1226
Esher, John F., complaint of .....	24, 109
Long, Lucy Boshier, complaint of .....	34, 108, 394
Rates and service of .....	570
Rehearing, application for, denied .....	944
Rules and regulations of .....	1226
AVERY INVESTMENT CO., Big Four Electric Railway Co., application of	1027
AZUSA, town of, grade crossing at .....	1410
BAKERSFIELD, city of, gas rates and service .....	843
BAKERSFIELD GAS AND ELECTRIC CO.	
Commission's investigation of rates .....	843, 1218
Financial statement of .....	858
Operating expenses of .....	856
Valuation of .....	859
BAKER, MARK W., complaint against Southern Pacific Co. ....	401
BALL, WM. E., application to transfer Melvin Place Water System .....	798
BANNING, CITY OF	
City Water Co. of, application to issue stock .....	788
Gas service, construction of .....	218
Grade crossing, application for permission to .....	1410

	PAGE.
BAY CITY, town of, extension of gas service to.....	986
BAY CITIES HOME TELEPHONE CO., application to transfer franchise.....	764
BAY POINT AND CLAYTON RAILROAD CO., directed to file annual report.....	79
BECK, JOHN L., complaint against Hermosa Beach Water Co.....	286
BELL, THEODORE A., complaint of city of Napa against.....	1159
BEN LOMOND, town, of, water rates.....	1181
BEN LOMOND WATER WORKS, to change rates.....	1181
BERKELEY, city of, sand rates to.....	166
BERNICE, town of, grade crossing at.....	1410
BIG FOUR ELECTRIC RAILWAY CO., application to issue stock.....	1027
BLOOM, J. W., to sell water system.....	226
BLOWERS, G. H., application to sell Reedley Water Works.....	92
BOLINAS WATER AND POWER COMPANY.	
Locke, Florence, complaint of.....	975
Rates, application to increase.....	883
BONDS, APPLICATIONS TO ISSUE.	
Central California Gas Co.....	237, 393, 1235
Clear Lake Railroad Co.....	989
Coast Valleys Gas and Electric Co.....	21
Cuyamaca Water Co.....	1294
Death Valley Railroad Co.....	389
Economic Gas Co.....	117
Fowler Gas Co.....	1230
Fresno Interurban Railway Co.....	1195
Glendale and Eagle Rock Railway.....	718, 958, 1026
Home Telephone and Telegraph Co. of Santa Barbara.....	73
Indian Valley Electric Light and Power Co.....	1365
Lawndale Land and Water Co.....	838, 1391
Long Beach Consolidated Gas Co.....	1136, 1225
Los Angeles Gas and Electric Corporation.....	493, 701
Marin County Electric Railways.....	503
Modoc County Irrigation Co.....	1001
Mt. Whitney Power and Electric Co.....	953
Nevada, California and Oregon Telephone and Telegraph Co.....	168, 839
Nevada County Narrow Gauge.....	588
Northwestern Pacific Railroad Co.....	751
Oakdale Gas Co.....	43, 495
Oakland, Antioch and Eastern Railway Co.....	142, 162
Oceanside Electric and Gas Co.....	219
Pacific Gas and Electric Co., to pledge.....	499, 763, 1383
Pacific Light and Power Co.....	937
Peoples Water Co., to pledge.....	1187, 1355
Sacramento Natural Gas Co.....	140
San Diego and Arizona Railway Co.....	177
San Diego Consolidated Gas and Electric Co.....	97, 277, 588
San Diego Home Telephone Co.....	58
San Francisco, Napa and Calistoga Railway.....	50
San Francisco, Oakland Terminal Railways.....	1290
San Joaquin Light and Power Co.....	348, 1036, 1354
San Pedro, Los Angeles and Salt Lake Railroad Co.....	1222
Santa Monica Water Co.....	1129
Sawtelle Water Co.....	723
Southern California Edison Co.....	88, 1251
Southern Counties Gas Co. of California.....	196
Southern Counties Gas Co., dismissed.....	1351, 1352
Southern Pacific Co.....	191, 203
Southwestern Home Telephone Co.....	247, 700, 1248
Stockton Terminal and Eastern Railway.....	241
Tidewater Southern Railway Co.....	1272
Western Water, Gas and Electric Co.....	402
BROCHMEIER, H., complaint against Pacific Building Co.....	395
BROCKMAN, J. H., complaint against Inglewood Water Co.....	945
BROWN, E. D., ET AL., complaint against Consolidated Canal Co.....	592

	PAGE.
BRUCE, DR. L., ET AL., complaint against Mt. Whitney Power and Electric Co. -----	1362
BURBANK, city of, franchise, gas distributing system, in -----	1212
BURCIAM, ROSE L., application of, to sell telephone exchange -----	1176
BURLINGAME, city of, grade crossing at -----	1410
BUTE, county of, irrigation rates -----	1392
CALEXICO, town of, grade crossing at -----	1410
CALIFORNIA CENTRAL CREAMERIES, complaint against Wells Fargo & Co. -----	200
CALIFORNIA DEVELOPMENT CO., Holtville, complaint of board of trustees of -----	57
CALIFORNIA NATURAL GAS CO.	
Amount of gas sold -----	848
Bakersfield, rate at -----	843
Commission's investigation into rates of -----	843, 1085
Contract rates with distributing companies -----	849
Earnings and expenses -----	848
Kern County Merchants' Association, complaint of -----	843
Valuation of (Bakersfield Division) -----	852, 853
West Side Gas Co., wholesale rates to -----	1085
CALIFORNIA NORTHERN TELEPHONE AND TELEGRAPH CO., application to sell system -----	168, 839
CALIFORNIA AND OREGON TELEPHONE CO., application to sell system -----	168, 839
Lease, to accept assignment of -----	209
CALIFORNIA POWER AND MANUFACTURING CO., franchise rights -----	15
CALISTOGA ELECTRIC CO., certificate of public convenience and necessity, application for -----	1165
Downs, E. T., complaint of -----	612
Napa Valley Electric Co., complaint against -----	1061
Napa Valley Electric Co., protestant to application of -----	615
Rehearing, application for -----	799
CALISTOGA, town of, electric rates -----	1061
CAMINO, PLACERVILLE AND LAKE TAHOE RAILWAY, valuation of -----	109
CAMPBELL WATER CO., application to sell system -----	961
CAMPBELL WATER CO., THE.	
Purchase water system, application to -----	961
Stock, application to issue -----	961
CANNON, IRA S., complaint against Nevada-California-Oregon Railway Co.	965
CASES.	
No. 122 -----	200
No. 131 -----	325
No. 148 -----	635
No. 173 -----	400
No. 178 -----	551
No. 180 -----	1328
No. 183 -----	109
No. 188 -----	651
No. 189 -----	539
No. 194 -----	1281
No. 214 (Application No. 1) -----	964
No. 214 (Application No. 2) -----	651, 967
No. 214 (Application No. 3) -----	649, 969
No. 214 (Application No. 4) -----	971
No. 214 (Application No. 5) -----	654, 973
No. 214 (Application No. 6) -----	655
No. 279 -----	200
No. 306 -----	210
No. 307 -----	200
No. 309 -----	597
No. 312 -----	200
No. 327 -----	1320
No. 333 -----	200
No. 355 -----	57
No. 357 -----	843

## CASES (Continued).

	PAGE.
No. 359 -----	121
No. 361 -----	184
No. 378 -----	1273
No. 379 -----	121
No. 380 -----	122
No. 387 -----	150
No. 397 -----	565
No. 406 -----	407
No. 407 -----	342
No. 409 -----	82
No. 412 -----	163
No. 415 -----	11
No. 418 -----	623
No. 424 -----	268
No. 429 -----	283
No. 430 -----	283
No. 432 -----	283
No. 436 -----	411
No. 438 -----	437
No. 439 -----	116
No. 446 -----	395
No. 458 -----	3
No. 459 -----	19
No. 462 -----	872
No. 463 -----	246
No. 464 -----	57, 148
No. 470 -----	286
No. 422 -----	131
No. 476 -----	1101
No. 479 -----	245
No. 483 -----	293
No. 486 -----	320
No. 487 -----	288
No. 489 -----	746, 1276
No. 491 -----	975
No. 496 -----	94
No. 497 -----	327
No. 498 -----	623
No. 499 -----	1366
No. 504 -----	404
No. 505 -----	34, 94, 108, 394
No. 506 -----	50
No. 507 -----	355, 523
No. 508 -----	1061
No. 509 -----	622
No. 510 -----	977
No. 511 -----	770
No. 512 -----	166
No. 514 -----	1155
No. 516 -----	1092
No. 518 -----	401
No. 520 -----	982
No. 521 -----	26, 109
No. 523 -----	280
No. 524 -----	1001, 1175, 1318
No. 525 -----	159
No. 526 -----	725
No. 527 -----	1046
No. 528 -----	317
No. 529 -----	705
No. 532 -----	944
No. 535 -----	1250
No. 536 -----	995
No. 537 -----	79
No. 538 -----	1061

CASES—Continued.	PAGE.
No. 542	1351
No. 545	1077
No. 547	570, 871, 944, 1226
No. 548	761
No. 553	945
No. 555	612
No. 556	843, 1218
No. 557	1054
No. 558	1392
No. 561	1168
No. 562	1085
No. 566	704
No. 571	1232
No. 572	1026
No. 577	1174
No. 579	1238
No. 585	835
No. 586	1362
No. 600	1405
No. 601	1369
No. 603	1304
No. 616	1299
CEMENT, town of, grade crossing at	1410
CENTRAL CALIFORNIA GAS CO.	
Stocks and bonds, application to issue	237, 393, 1235
Transfer property to City of Porterville, application to	436
CENTRAL PACIFIC RAILWAY CO., application for grade crossing	1410
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.	
APPLICATIONS FOR.	
Banning Gas and Lighting Co., Banning	218
Calistoga Electric Company, Napa County	1165
Coachella Valley Ice and Electric Co., Riverside and Imperial counties	1134
Coalinga Pipe Line Co., Coalinga	657
Coast Counties Gas and Electric Co., Gilroy	90
Colman, S. Waldo, gas, Contra Costa County	27, 1153
Fresno Traction Co., Fresno County	61
Great Western Power Co., Antioch	431
Henshaw, Wm. G., Rialto Railroad	459
Long Beach Consolidated Gas Co.	986
Lorain, Charles A., telephone, El Dorado County	212
Los Angeles Gas and Electric Corporation, Los Angeles County	415
Los Angeles Gas and Electric Co., Huntington Park	445
Marin County Electric Railways, Mill Valley	503, 698, 806, 849
Modoc County Irrigation Co.	1007
Napa Valley Electric Co., Napa County	615, 799
Oakdale Gas Co., Stanislaus County	454
Pacific Coast Railway Co., San Louis Obispo County	204
Pacific Light and Power Corporation, Glendora	350
Pacific Light and Power Corporation, Huntington Beach	778
Pacific Light and Power Corporation, San Fernando	381
Pacific Light and Power Corporation, Ventura County	793
Pacific Telephone and Telegraph Co., Oakland	764
Pit River Power Co., Shasta County	14
San Joaquin Valley Telephone Co., Fresno County	375
Santa Monica Water Co., Santa Monica	749
Santa Barbara and Suburban Railway, Santa Barbara	414
Sawtelle Water Company, Sawtelle	750
Southern California Gas Co., Burbank	1212
Southern California Gas Co., Compton	1207
Southern California Gas Co., Glendale	60
Southern California Gas Co., Los Angeles County	418, 421, 427
Southern California Gas Co., Orange County	425
Southern California Gas Co., San Fernando	1217
Southern California Gas Co., Tropic	1214

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, AP- PLICATIONS FOR—Continued.		PAGE.
Southern California Gas Co., Vernon.....		1207
Thistle, L. F., telephone, Mariposa County.....		215
Wilmington Water Co., Los Angeles County.....	71,	708
Wilson, E. M., et al., electric, Medoc and Lassen counties.....	80,	717
CHAPEL, J. J., complaint against Southern Pacific Co.....		216
CHICO, city of, grade crossing at.....		1410
CITY WATER COMPANY OF BANNING, application to issue stock.....		788
CLAREMONT, city of, grade crossing at.....		1410
CLEAR LAKE RAILROAD COMPANY, application to issue bonds.....		989
CLOTHO, town of, grade crossing at.....		1410
CLOUGH, L. O., complaint of Redley Telephone Co. against.....		1304
CLOVERDALE LIGHT AND POWER CO., electric service supply.....		321
CLOVIS, town of, proposed new electric road to.....		1195
COACHELLA VALLEY ICE AND ELECTRIC CO., application for certificate of public convenience and necessity.....		1134
COALINGA, city of, natural gas service.....		657
COALINGA, GAS AND POWER CO., natural gas distribution, by.....		657
COALINGA PIPE LINE CO., application for certificate of public convenience and necessity.....		657
COAST COUNTIES GAS AND ELECTRIC CO., application for certificate of public convenience and necessity.....		90
COAST VALLEYS GAS AND ELECTRIC CO. Bonds, application to issue.....		21
Monterey, city of, complaint of.....		1366
Rates established.....		1380
Revenues and expenses.....		1377
Valuation of.....		1369
CODY, F. A., application to change water rates at Ben Lomond.....		1181
COLE, L. E. ET AL., complaint against South Feather Land and Water Co.....		1392
COLEMAN, S. WALDO, application for certificate of public convenience and necessity.....	27,	1153
COLEY-CRAIG CO., application to sell telephone system.....		462
COLTON GRAIN AND MILLING CO., application to transfer property.....		386
COLUSA AND HAMILTON RAILROAD, application to lease property to S. P. Co.....		433
COMMISSION'S OWN INITIATIVE, INVESTIGATIONS ON.		
Atwood, Harry R., rates and service.....	507, 871, 944,	1226
Bakersfield Gas and Electric Co., rates.....	843,	1218
California Natural Gas Co., wholesale rates.....		1085
Eastside Canal and Irrigation Co., rules, rates, service.....		597
Encanto Mutual Water Co., rates and service.....	507, 871, 944,	1226
Madera Canal and Irrigation Co., rules, rates and service.....		623
Napa Valley Electric Co., rates.....		1061
Pullman Co., The, rules and regulations.....		872
Tujunga Water and Power Co., service.....		1168
Warehouse, rules and regulations.....		704
West Side Gas Co., amount paid for gas by.....		1085
COMPTON, CITY OF.		
Franchise for gas distributing system.....		1207
Transfer of electric plant.....		352
CONCORD, TOWN OF, grade crossing at.....		1410
CONSOLIDATED CANAL CO.		
Brown, D. E. et al., complaint of.....		592
Rules and regulations of.....		592
CONSOLIDATED SECURITIES CO.		
Lay, Mrs. Lillie, complaint of.....		761
Note, application to issue.....	372,	1144
Sell system, application to.....		370
CONSOLIDATED UTILITIES CO.		
Sell system, application to.....		352
Stock and note, application to issue.....		1312
CONSTRUCTION CROSSING, dispute of cost of.....		1046
CONSTRUCTION NEW, contracts to secure location of.....		996
CONSTRUCTION PERIOD, interest during.....		916

	PAGE.
<b>CONTRA COSTA, COUNTY OF.</b>	
Gas distributing system, proposed.....	27, 1153
Grade crossings, applications for.....	1040, 1410
<b>CONTRACTS.</b>	
Commission's power to alter or change.....	926, 1061
Glendale and Montrose Railway Co., for approval of joint trackage.....	1352
Jurisdiction, commission over contract rates.....	293, 686, 810, 926, 1061
Mount Whitney Power and Electric Co., five year power rates, complaint against .....	1357
Pacific Electric Railway Co., for approval of joint trackage.....	1352
Peninsular Railway Company, for approval of joint trackage.....	423
San Jose Railroads, for approval of joint trackage.....	423
See agreements.	
<b>CORONA CHAMBER OF COMMERCE, intervenor, clay rates.....</b>	268
<b>CORONA, city of, clay rates from .....</b>	268
<b>CORONADO, city of, application of city of San Diego to establish water rates for .....</b>	902
<b>CORONADO WATER CO., application of city of San Diego to establish water rates for .....</b>	902
<b>COWELL, S. H., directed to file annual report.....</b>	79
<b>CRANSTON, R. B., Application of Northern Electric Railway, to transfer real estate to .....</b>	1209
<b>CRESCENT CITY, complaint against Crescent City Light, Water and Power Co. ....</b>	982
<b>CRESCENT CITY LIGHT, WATER AND POWER CO., complaint of Crescent City .....</b>	982
<b>CRESCENT CITY RAILWAY CO.</b>	
Grade crossing, application for.....	1410
Sell franchise, application to.....	457
<b>CROCKER, W. F. AND WARREN, complaint against Southern Pacific Co. ....</b>	11
<b>CUYAMACA WATER CO.</b>	
Stock and bonds, application to issue.....	1294
Purchase water system, application to.....	1294
<b>DEATH VALLEY RAILROAD CO., application to issue bonds.....</b>	389
<b>DEER CREEK RURAL TELEPHONE CO., application to transfer system .....</b>	75, 282
<b>DEMURRAGE RULES, complaint of Grayson-Owen Co. against.....</b>	210
<b>DEPOT FACILITIES.</b>	
Alturas, complaint of, against Nevada-California-Oregon Railway.....	985
Fourth Street Improvement Club, complaint against Southern Pacific Co. ....	1289
Modesto, complaint against Southern Pacific Co.....	1054
San Francisco, Third and Townsend streets.....	1289
Sisson, complaint against Southern Pacific Co.....	355, 523
Turlock, complaint against Southern Pacific Co.....	1264
Removal of, application of Los Angeles and San Diego Beach Railway Co. to .....	197
<b>DEVELOPMENT COST, when allowed by the Commission.....</b>	1101
<b>DIAMOND RIDGE DITCH CO., complaint of Elan Dunlap against.....</b>	317
<b>DISCONTINUE SERVICE, APPLICATION TO.</b>	
Hermosa Beach Water Co., at Hermosa Beach.....	450
Klamath Lake Railroad Co.....	398
<b>DISCRIMINATION, when proven, lowest rate will be deemed just.....</b>	711
<b>DOWELL, CHESTER, ET AL., complaint against Mount Whitney Power and Electric Co. ....</b>	1362
<b>DOWNEY LIGHT AND POWER CO.</b>	
Application to sell system .....	984
California Edison Co., application to issue bonds to purchase.....	1215
<b>DOWNEY, town of, electric rates.....</b>	984
<b>DOWNS, E. T., complaint against Calistoga Electric Co.....</b>	612
<b>DOWNTOWN ASSOCIATION OF OAKLAND, complaint against San Francisco Oakland Terminal Railways.....</b>	50
<b>DUNAWAY, T. F., Alturas depot case.....</b>	996
<b>DUNLAP, ELAN, complaint against Diamond Ridge Ditch Co.....</b>	317
<b>DURFY, T. P.</b>	
Application to sell water system.....	447, 456, 1035
Hendon, John, intervenor .....	1048

<b>EAST BAY REALTY CO., application to cross tracks of Atchison, Topeka and Santa Fe Railway</b> .....	<b>PAGE.</b>
.....	1040
<b>EAST SAN DIEGO, CITY OF.</b>	
Transfer of water system.....	783
Water service .....	395
<b>EASTSIDE CANAL AND IRRIGATION CO.</b>	
Rates and service of .....	597
Rules and regulations .....	608
<b>EAGLE ROCK, CITY OF.</b>	
Commutation rates to, application to discontinue.....	320
Telephone rates .....	30
<b>EARNINGS.</b>	
(Balance sheets of all utilities, see ANNUAL REPORT.)	
Antelope Valley Telephone Co.....	891, 896, 897
California Natural Gas Co.....	848
Central California Gas Co.....	239
Coast Valleys Gas and Electric Co.....	1377
Encanto Mutual Water Co.....	581
Eureka Water Co.....	473
Excelsior Water and Mining Co.....	439
Glendale and Eagle Rock Railway.....	326, 720
Home Telephone and Telegraph Co. of Santa Barbara.....	41
Kerman Telephone Co.....	366
Klamath Lake Railroad.....	399
Long Beach Consolidated Gas Co.....	1139
Los Altos Water Co.....	517
Los Angeles and San Diego Beach Railway Co.....	529
Marin County Electric Railway (estimated).....	509
Mount Whitney Power and Electric Co.....	956
Napa Valley Electric Co.....	1075
Nevada County Narrow Gauge.....	555
Ocean Shore Railroad Co.....	1338
San Diego and South Eastern Railway.....	544
San Joaquin Light and Power Corporation.....	1042
San Jose Water Co.....	1107
Santa Clara Water Co.....	831
Sawtelle Water Co.....	723
Soledad Light and Water Co.....	188
South Feather Land and Water Co.....	1396
South San Francisco Belt Railway.....	1283
Southwestern Home Telephone Co.....	254
Ventura County Railway Co.....	639
<b>ECONOMIC GAS CO., application to issue bonds</b> .....	117
<b>EEL RIVER AND EUREKA RAILROAD CO., retirement of bonds of</b> .....	751
<b>EL CENTRO, city of, application for grade crossing</b> .....	1410
<b>EL DORADO, COUNTY OF.</b>	
Irrigation rates and service.....	317
Telephone service .....	212
<b>ELLIOTT, R. W., application to increase water rates, Garden Grove</b> .....	1255
<b>EL PRADO, town of, grade crossing at</b> .....	1410
<b>EL PORTO, town of, application of Hermosa Beach Water Co. to withdraw from</b> .....	450
<b>ENCANTO, town of, water rates and service</b> .....	570, 871, 1226
<b>ENCANTO MUTUAL WATER CO.</b>	
Commission's investigation, rates and service.....	570, 871, 944, 1226
Esher, John F., complaint of.....	24, 109
Income and expenses.....	579, 581
Long, Lucy Boshier, complaint of.....	34, 108, 394
Rates and service of.....	570
Rehearing, application for denied.....	944
Rules and regulations of.....	1226
Valuation of .....	579
<b>ENCANTO WATER LEAGUE, intervenor, application of city of San Diego to establish rates</b> .....	902
<b>ESCALON WATER AND LIGHT CO., application to issue stock</b> .....	94



	PAGE.
ESHER, JOHN F., complaint against Encanto Mutual Water Co.....	26, 109
ESTES, J. B., complaint against Nevada-California-Oregon Railway Co.....	905
EUREKA, city of, application to fix valuation of water system.....	466
EUREKA WATER CO., valuation of system.....	466
EVANS, LOUIS, to sell telephone system.....	375
EXCELSIOR WATER AND MINING CO., application to increase rates.....	438
EXETER, city of, grade crossing at.....	1410
EXPENSES, OPERATING.	
(Balance sheets of all utilities, <i>see</i> ANNUAL REPORT.)	
Antelope Valley Telephone Co.....	891
Bakersfield Gas and Electric Co.....	866
California Natural Gas Co.....	849
Coast Valleys Gas and Electric Co.....	1377
Encanto Mutual Water Co.....	579
Eureka Water Co.....	473
Excelsior Water and Mining Co.....	439
Glendale and Eagle Rock Railway Co.....	720
Kerman Telephone Co.....	367
Klamath Lake Railroad.....	390
Long Beach Consolidated Gas Co.....	1139
Los Altos Water Co.....	516
Los Angeles and San Diego Beach Railway.....	520
Marin County Electric Railway (estimated).....	509
Mount Whitney Power and Electric Co.....	956
Napa Valley Electric Co.....	1069
Nevada County Narrow Gauge.....	555
Ocean Shore Railway Co.....	1338
San Diego Municipal Water System.....	925
San Diego and South Eastern Railway.....	544
San Joaquin Light and Power Corporation.....	1042
San Jose Water Co.....	1107
Santa Clara Water Co.....	831
Sawtelle Water Co.....	723
South Feather Land and Water Co.....	1396
South San Francisco Belt Railway Co.....	1283
Ventura County Railway Co.....	630
EXTENSIONS, PETITIONS FOR.	
Beck, John I., complaint against Hermosa Beach Water Co.....	286
Esher, John, complaint against Harry R. Atwood.....	26
Gem Packing Co., complaint against San Jose Water Co.....	746, 1276
Hale, Francis S., complaint against Hermosa Beach Water Co.....	288
Knex, R. H., complaint against San Jose railroads.....	62
Lay, Lillie, complaint against Consolidated Securities Co.....	761
Leng, Lucy Beshier, complaint against Harry R. Atwood.....	34
Mount Whitney Power and Electric Co., proposed.....	954, 955
Santa Barbara Street Railway, application for permission to make.....	414
Warren, J. D., complaint against Murphy Water, Ice and Light Co.....	1238
FAIRMONT WATER CO.	
To purchase water system.....	783
To issue stock and bonds.....	783
FARMERS' DITCH IRRIGATING CO.	
Application of Santa Clara Water and Irrigating Co. to raise rates to.....	811
Application of, for rehearing.....	1010
FENTON, BENJAMIN W., complaint against Wells Fargo & Co.....	944
FESLER, S. O. ET AL., complaint against Pacific Telephone and Tele- graph Co.....	711
FLAGMAN, complaint of city of Turlock to compel maintenance of.....	1264
FLEMING, CHARLES F., complaint against Peninsular Railway Co.....	94
FOURTH STREET DISTRICT IMPROVEMENT CLUB, complaint against Southern Pacific Co.....	1299
FOWLER GAS COMPANY, application to issue stock and bonds.....	1230
FRANCHISES.	
Bay Cities Home Telephone Co., to transfer to Pacific Telephone and Telegraph Co.....	764
M-street bridge, Northern Electric Railway to transfer.....	735

FRANSCIONI, J. A. ANDREW, complaint against Soledad Land and Water Co. ....	Page. 184
FRESNO CANAL AND IRRIGATION CO. Montgomery, L. Y. ET AL., complaint of .....	535
Rules and regulations of .....	565
FRESNO, CITY OF. Proposed electric road, Clovis to .....	1195
Grade crossing at .....	1410
FRESNO INTERURBAN RAILWAY CO. Application to issue stock and bonds .....	1135
Estimated cost of .....	1196
FRESNO TRACTION CO. Application for certificate of public convenience and necessity .....	61
Application for grade crossing .....	61
FULTON, town of, transfer of telephone system .....	68
GALLE, J. W., complaint of Reedley Telephone Co. against .....	1394
GARDEN GROVE, town of, increase in water rates .....	1255
GARDEN GROVE WATER CO., application to increase rates .....	1255
GEM CITY PACKING CO., complaint against San Jose Water Co. ....	12749, 1276
GEORGE, W. H., directed to file annual report .....	79
GILL, J. J., complaint against San Francisco-Oakland Terminal Railways ..	1232
GILROY, town of, extension of electric service to .....	90
GLENDALÉ, city of. Commutation rates to .....	320
Gas distributing system, construction of .....	60
Glendale and Montrose Railway, application to transfer real estate to ..	1206
Grade crossing, application to establish .....	1403
Los Angeles and Arizona Land Co., water service of .....	770
Municipal Water system, water service of .....	770
Valuation of water systems, application to fix .....	1011
GLENDALÉ CONSOLIDATED WATER CO. Application to sell portion of system of Los Angeles .....	1357
Valuation, application of Glendale to fix .....	1011
GLENDALÉ AND EAGLE ROCK RAILWAY. Bonds, application to issue .....	718, 958, 1026
Commutation tickets, application to discontinue sale of .....	320
Los Angeles Railway Co., through rates with .....	320
GLENDALÉ AND MONTROSE RAILWAY CO. Contract, application for approval of, joint use of tracks .....	1352
Pacific Electric Railway Co., contract for joint use of tracks .....	1352
Transfer of real estate, application to .....	1206
GLENDORA, CITY OF. Grade crossing at .....	1410
Transfer of electric plant .....	350
GLENDORA LIGHT AND POWER CO., application to sell property ..	350
GLENWOOD LAND CO., application to issue notes .....	236
GLOBE GRAIN AND MILLING CO., application to transfer property and issue stock .....	386
GOMPH, W. F. Barrels, wooden, application to increase classification of .....	332
Crude oil, application to change rates on .....	261
Exception sheet, application to change .....	242
Less carload rates, application to increase .....	290
Tariff, application to amend .....	205
GOODRICH, C. F., application to increase telephone rates, Lancaster ..	889
GRADE CROSSINGS. Atchison, Topeka and Santa Fe Railway Co. ....	1410
Contra Costa, county of, application to cross tracks of .....	1040
Fresno Traction Co., application to construct undergrade .....	61
Los Angeles, county of, application to cross tracks of .....	267
Central Pacific Railway Co., application of .....	1410
Contra Costa, county of, application to cross Atchison, Topeka and Santa Fe Railway .....	1040, 1410
Crescent City Railway Co., application of .....	1410
East Bay Realty Co., application to cross Atchison, Topeka and Santa Fe Railway .....	1040

GRADE CROSSINGS—Continued.	PAGE.
El Centro, city of, application of.....	1410
Fresno Traction Co., application of.....	61
Glendale, city of, application of.....	1403
Imperial, county of, application of.....	1410
Los Angeles County, application of.....	267
McConaughy, Neal A., application of.....	15
Modesto Interurban Railway Co., application of.....	1410
Merced, county of, application of.....	1410
Minkler Southern Railway Co., application of.....	1410
Northern Electric Railway Co., application of.....	1410
Northwestern Pacific Railway Co., application of.....	1410
Orange, county of, application of.....	1410
Pacific Electric Railway Co., application of.....	1257, 1410
Glendale, city of, application to cross.....	1403
Los Angeles, county of, application to cross.....	267
Pacific Gas and Electric Co., application of.....	1410
Riverside, city of, application of.....	1257
Sacramento, county of, application of.....	1410
Sacramento and Woodland Railway Co., application of.....	1410
Sacramento Valley Electric Railway Co., application of.....	1410
San Bernardino, county of, application of.....	1410
San Francisco-Oakland Terminal Railways, application of.....	1410
San Joaquin, county of, application of.....	1410
San Pedro, Los Angeles and Salt Lake Railroad Co., application of.....	1410
Pacific Electric Railway Co., to cross.....	1257
Riverside, city of, to cross.....	1257
Santa Clara, county of, application of.....	1381, 1408
Siskiyou, county of, application of.....	1315
South Pacific Coast Railway Co., McConaughy, Neal A., application of, to cross.....	15
Southern Pacific Co. ....	1410
Glendale, city of, application to cross.....	1403
Santa Clara, county of, application to cross.....	1381, 1408
Siskiyou, county of, application to cross.....	1315
Tidewater Southern Railway Co., application of.....	1410
Tulare, county of, application of.....	1410
Yolo, county of, application of.....	1410
GRAHAM FARM LANDS CO., transfer of telephone system.....	375
GRAYSON OWEN CO., complaint against Southern Pacific Co.....	210
GREAT WESTERN POWER CO.	
Antioch, for certificate of public convenience and necessity at.....	431
Reclamation District No. 551, complaint of.....	1174
Stewart, Edgar L., complaint of.....	215
GUNN, JAMES A., application to issue notes.....	222
HALE, FRANCIS S., complaint against Hermosa Beach Water Co. ....	288
HALFMOON BAY LIGHT AND POWER CO., application to issue stock.....	1147
HALL, MR. AND MRS. W. H., protestants.....	168
HANLON, JOHN, to sell water system.....	447, 456, 1035, 1046
HANSON, ANTON, complaint of Reedley Telephone Co. against.....	1304
HAPPY VALLEY LAND AND WATER CO., application to issue stock.....	940
HARKER, JESSE S., purchase of Melvin Place water plant.....	798
HARRIS, NETTIE B., application for certificate of public convenience and necessity, Lassen County.....	80, 717
HEADLIGHT LAW.	
Commission has no power to except roads from.....	1293
Nevada-California-Oregon Railway Co., application for exception from.....	1293
Northwestern Pacific Railroad Co., application for extension of time.....	19
Quincy Western Railway Co., application to be excepted from.....	285
Southern Pacific Co., application for extension of time.....	124
HEALDSBURG, town of, grade crossing at.....	1410
HENDRICKS, SCOTT, to lease telephone plant.....	200
HENSHAW, WM. G.	
Franchise, application to purchase.....	457
Franchise, application to exercise rights.....	459
Grade crossing, application for.....	1410

	PAGE.
<b>HERMOSA BEACH WATER CO.</b>	
Beck, John L., complaint of.....	286
Hale, Francis S., complaint of.....	288
Manhattan Beach, application to withdraw from.....	450
Rules, application for approval of.....	334
<b>HICKS, W. W.</b> , application of Marin County Electric Railway to issue stock to .....	840
<b>HILLS, WM. E.</b> , to lease telephone plant.....	209
<b>HOLABIRD, W. H.</b> , receiver, complaint of board of trustees of Holtville..	57
<b>HOLTVILLE</b> , city of, board of trustees, complaint of.....	57
<b>HOME TELEPHONE AND TELEGRAPH CO.</b> of Santa Barbara, application to issue notes and pledge bonds.....	39, 73
<b>HONOLULU CONSOLIDATED OIL CO.</b> , contract with California Natural Gas Co. ....	846
<b>HUGHES, INGHIRAM</b> , complaint against Union Water Co.....	1026
<b>HUNTINGTON BEACH</b> , city of, transfer of electric system.....	778
<b>HUNTINGTON BEACH CO.</b> , application to sell electric system.....	778
<b>HUNTINGTON PARK, TOWN OF.</b>	
Gas distributing system .....	445
Grade crossing at .....	1410
<b>IMPERIAL, COUNTY OF.</b>	
Franchise to Coachella Ice and Electric Co.....	1134
Grade crossing, application for.....	1410
<b>INCOME</b> , <i>see</i> EARNINGS.	
<b>INCREMENT</b> , excessive unearned.....	679
<b>INDEPENDENT SEWER PIPE CO.</b> , complaint against Atchison, Topeka and Santa Fe and Southern Pacific Cos.....	268
<b>INDIAN VALLEY ELECTRIC LIGHT CO.</b> , application to issue bonds.....	1365
<b>INGLEWOOD BRICK AND TILE CO.</b> , complaint against Atchison, Topeka and Santa Fe Railway and Southern Pacific Co.....	268
<b>INGLEWOOD, CITY OF.</b>	
Clay rates from.....	268
Water rates .....	945
<b>INGLEWOOD WATER CO.</b> , complaint of J. H. Brockman.....	945
<b>INTERSTATE TELEGRAPH CO.</b> , to purchase telephone exchange.....	1176
<b>IONE</b> , town of, application of Southern Pacific Co. to cancel sand rates from .....	1278
<b>JOHNSTON, T. D.</b> , complaint against San Francisco-Oakland Terminal Railways .....	163
<b>JURISDICTION.</b>	
Commission over water service, San Francisco.....	1077
Commission over contract rates.....293, 686, 810, 926,	1061
San Francisco, city of, over water service.....	1077
<b>KERMAN TELEPHONE CO.</b> , application to increase rates.....	364
<b>KERMAN</b> , town of, telephone rates.....	364
<b>KERN COUNTY MERCHANTS ASSOCIATION</b> , complaint against California Natural Gas Co.....	843, 1218
<b>KERR, ROBERT F.</b> , application of city of San Diego to establish water rates for .....	902
<b>KESTER</b> , town of, grade crossing at.....	1410
<b>KEYSTONE MINING, MANUFACTURING, LAND AND WATER CO.</b> , application of Santa Clara Water Co. to raise rates.....	811
<b>KLAMATH LAKE RAILROAD CO.</b>	
Discontinue service, application to.....	398
Valuation of .....	400
<b>KLEIN-SIMPSON FRUIT CO.</b> , complaint against Atchison, Topeka and Santa Fe Railway Co. and Northwestern Pacific Railway Co.....	1001, 1175, 1318
<b>KNOX, R. H., ET AL.</b> , complaint against, San Jose and Santa Clara County Railroads and San Jose Railroads.....	82
<b>KUMMETH, FRANK</b> , application to sell Sanger Water Works.....	775
<b>LAGUNITAS DEVELOPMENT CO.</b> , application to increase water rates.....	1185
<b>LAGUNITAS</b> , town of, increase in water rates.....	1185
<b>LA JOLLA</b> , town of, application to change time table to.....	100
<b>LAKE</b> , county of, hydroelectric system.....	222

	PAGE.
LAMANDA PARK, town of, electric rates.....	159
LANCASTER, town of, telephone rates.....	889
LASSEN, county of, extension electric service in.....	14, 80, 717
LAUMANN, F. E., application to sell telephone plant.....	68
LAWDALE LAND AND WATER CO.	
Purchase Lawndale Water Co., application to.....	838, 1391
Rates, application to change.....	838, 1391
Stock and bonds, application to issue.....	838, 1391
LAWDALE WATER CO., application to sell its system.....	838, 1391
LAY, MRS. LILLIE, complaint against Consolidated Securities Co.....	761
LEASES.	
California Telephone and Telegraph Co., application to.....	209
Colusa and Hamilton Railroad Co. to Southern Pacific Co.....	433
Southern Pacific Co. of, Colusa and Hamilton Railroad.....	433
LENNON, town of, commutation rates to.....	629
LENNON IMPROVEMENT ASSOCIATION, complaint against Los Angeles Railway Corporation.....	629
LESS THAN CARLOAD SHIPMENTS, application of carriers to increase minimum charge on.....	707
LIMONERA CO.	
Contract with Santa Clara Water and Irrigation Co.....	810
Extension of time, increase of rates to.....	948
Rehearing, application for.....	1010
LINDA VISTA, town of, electric rates.....	159
LINDSAY, city of, grade crossing at.....	1410
LINDSAY HOME TELEPHONE AND TELEGRAPH CO., application to issue note.....	174
LINN, MATTHEW, application of city of San Diego to establish water rates for.....	902
LITTLE ROCK FRUIT CO., intervenor, complaint of Charles H. Whitaker.....	977
LIVE STOCK, application to increase rates on.....	46
LOCKE, FLORENCE, complaint against Bolinas Water and Power Co.....	975
LOMPOC, town of, grade crossing at.....	1410
LONG BEACH, city of, protestant, lease of warehouse of Long Beach Milling Co. ....	772
LONG BEACH CONSOLIDATED GAS COMPANY.	
Certificate of public convenience and necessity, Orange County.....	983
Stock and bonds, application to issue.....	1136, 1225
Southern California Edison Co., to purchase stock of.....	1310
LONG BEACH MILLING CO., application to lease warehouses.....	772
LONG, LUCY BOSHIER, complaint against Encanto Mutual Water Co. ....	34, 108, 394
LONG AND SHORT HAUL CLAUSE.	
Commission's discretionary power over.....	969
Applications for relief from:	
Atchison, Topeka and Santa Fe Railway Co.	
General basis of rate making to continue in effect.....	973
General relief from.....	967
Relief in certain cases.....	964
Violations to continue in effect.....	969, 971
Southern Pacific Co.	
General.....	654, 655
Passenger rates, San Francisco to Merced.....	649
Passenger rates, Fresno to Hanford.....	651
LOOMIS, GUY D., petitioner, rate of Encanto Mutual Water Co.....	585
LORAIN, CHAS. A., application for certificate of public convenience and necessity.....	212
LORENZO GARDENS, grade crossings at.....	15
LOS ALTOS, town of, water rates.....	515
LOS ALTOS WATER CO., application to increase water rates.....	515
LOS ANGELES AND ARIZONA LAND CO., Complaint of Winifred F. Marr.....	770
LOS ANGELES, CITY OF.	
Glendale Consolidated Water Co., application to purchase portion of.....	1357
Grade crossing, application for.....	1410
Rogers, Ralph, water system, application to purchase a portion of.....	1357

<b>LOS ANGELES, COUNTY OF.</b>	<b>PAGE.</b>
Electric rates in .....	159
Franchise for gas distributing system .....	1207
Gas service, extension of .....	415
Grade crossings, applications for .....	267, 1410
Natural gas rates .....	148
Water system, purchase of .....	417
Water rates in .....	257
<b>LOS ANGELES GAS AND ELECTRIC CORPORATION.</b>	
Bonds, application to issue .....	493, 701
Certificate of public convenience and necessity, application for	
Huntington Park .....	445
Los Angeles County .....	415
<b>LOS ANGELES INTERURBAN RAILWAY, complaint of Los Angeles Rate Association .....</b>	<b>19</b>
<b>LOS ANGELES PACIFIC CO., complaint of Los Angeles Rate Association .....</b>	<b>19</b>
<b>LOS ANGELES RATE ASSOCIATION, complaint against various railways .....</b>	<b>19</b>
<b>LOS ANGELES RAILWAY CORPORATION.</b>	
Glendale and Eagle Rock Railway through rates with .....	320
Lennox Improvement Association, complaint of .....	629
Los Angeles Rate Association, complaint of .....	629
<b>LOS ANGELES AND REDONDO RAILWAY CO., complaint of Los Angeles Rate Association .....</b>	<b>19</b>
<b>LOS ANGELES AND SAN DIEGO BEACH RAILWAY CO.</b>	
Depot, application to move .....	197
Notes, application to issue .....	780
Time-tables, application to change .....	100
Valuation of property .....	525
<b>LOS ANGELES WAREHOUSE CO., application to issue notes .....</b>	<b>1149</b>
<b>LOS VERJELS LAND AND WATER CO., application to issue stock .....</b>	<b>91</b>
<b>LUCOT, W. T., complaint against Southern Pacific Co. ....</b>	<b>116</b>
<b>LUNACY COMMISSION, complaint against Atchison, Topeka and Santa Fe Railway Co. ....</b>	<b>705</b>
<b>M-STREET BRIDGE, transfer of franchise over .....</b>	<b>735</b>
<b>MACLAY RANCHO WATER CO., application to sell system .....</b>	<b>370</b>
<b>MADERA CANAL AND IRRIGATION CO.</b>	
Commission's investigation into .....	623
Mordecai, G. W., complaint of .....	623
Rules and regulations of .....	623
<b>MAHONEY BROS., construction Fresno Interurban Railway .....</b>	<b>1195</b>
<b>MAIL DOCK, increase lumber rates from .....</b>	<b>163</b>
<b>MAILLIARD ESTATE, application to increase water rates .....</b>	<b>1185</b>
<b>MANHATTAN BEACH, city of, application of Hermosa Beach Water Co. to withdraw from .....</b>	<b>450</b>
<b>MARE ISLAND, increase lumber rates to .....</b>	<b>165</b>
<b>MARIN COUNTY ELECTRIC RAILWAYS.</b>	
Certificate of public convenience and necessity, application for .....	503, 698, 806, 840
Stock, application to issue .....	503, 698, 806, 840
<b>MARIN, county of, commutation rates from .....</b>	<b>690</b>
<b>MARIPOSA, county of, telephone service .....</b>	<b>215</b>
<b>MARKET VALUE, as applicable to utilities .....</b>	<b>472</b>
<b>MARR, WINIFRED F., complaint against Los Angeles and Arizona Land Co. ....</b>	<b>770</b>
<b>MARYSVILLE AND COLUSA BRANCH, Northern Electric Railway Co., application for approval of operating agreement .....</b>	<b>1200</b>
<b>MATHEWS, A. J., application to lease telephone plant .....</b>	<b>209</b>
<b>MCCLOUD RIVER RAILROAD CO.</b>	
Mount Shasta Milling Co., complaint of .....	283
Passenger and Freight business .....	361
<b>MCCONAUGHY, NEAL A., application for grade crossing .....</b>	<b>15</b>
<b>MCDONOUGH, E. C., protestant, application No. 1071 .....</b>	<b>764</b>
<b>MELVIN PLACE WATER SYSTEM, transfer of .....</b>	<b>798</b>
<b>MERCED, city of, grade crossing at .....</b>	<b>1410</b>

MERCED, COUNTY OF.	PAGE.
Grade crossing, application for-----	1410
Irrigation rates and service-----	597
MERCHANTS AND MANUFACTURERS ASSOCIATION OF LOS AN- GELES, complaint against Wells Fargo & Co.-----	200
MERCHANTS TRAFFIC ASSOCIATION, complaint against Atchison, Topeka and Santa Fe and Southern Pacific Cos.-----	268
MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, application to issue notes -----	1142
MIDWAY GAS CO., natural gas rates-----	148
MILLER, W. S., complaint against Nevada-California-Oregon Railway-----	905
MILL VALLEY, town of, proposed street railway system-----	503, 698
MINKLER SOUTHERN RAILWAY CO.	
Grade crossing, application for-----	1410
Stock, application to issue-----	993
MIRADERO WATER CO., valuation of property-----	1011
MODESTO CHAMBER OF COMMERCE, complaint against Southern Pacific Co., depot facilities-----	1054
MODESTO, CITY OF.	
Depot facilities -----	1054
Farmer line telephone rates-----	711
Grade crossing, application for-----	392, 1410
Traffic statistics -----	1056
MODESTO AND EMPIRE TRACTION CO., application to increase rates	46
MODESTO AND INTERURBAN RAILWAY CO., application for grade crossing -----	1410
MODOC, COUNTY OF.	
Complaint of board of supervisors against Nevada-California-Oregon Railway -----	905
Extension of electric service to-----	14, 80
MODOC COUNTY IRRIGATION CO.	
Certificate of public convenience and necessity, application for-----	1007
Stock and bonds, application to issue-----	1007
MOJAVE, city of, transfer of telephone exchange-----	1176
MONOHAN, THOMAS, MAYOR OF SAN JOSE.	
Complaint against San Jose Water Co.-----	1101
Motion to dismiss -----	231
MONTAGUE, town of, grain rates from-----	283
MONTREY, city of, complaint against Coast Valleys Gas and Electric Co.	1366
MONTGOMERY, L. Y. ET AL., complaint against Fresno Canal and Irrigation Co. -----	565
MORDECAI, G. W., complaint against Madera Canal and Irrigation Co.---	623
MOSES, C. S., complaint of G. W. Mordecai-----	623
MOULTON, J. S., to purchase Ripon Telephone Exchange-----	703
MOUND WATER COMPANY, application to increase rates-----	686
MT. KONOCTI LIGHT AND POWER CO.	
Annul prior order, application to-----	1151
Electric service supply -----	321
Protestant, application \$88 -----	222
MT. SHASTA MILLING CO., complaint against Southern Pacific Co. and McClond River Railroad Co. -----	283
MT. WHITNEY POWER AND ELECTRIC CO.	
Bonds, application to issue-----	953
Contract, five-year for power service, complaint against-----	1357
Seaman, F. E. et al., complaint of-----	1357
MURPHY WATER, ICE AND LIGHT CO., complaint of J. D. Warren et al.	1238
MURRAY AND FLETCHER, application to sell water system-----	1294
NAPA, CITY OF.	
Complaint against T. A. Bell and Napa City Water Co.-----	1159
Electric rates -----	1061
NAPA CITY WATER CO., complaint of city of Napa-----	1159
NAPA, county of, electric service-----	615

	PAGE.
<b>NAPA VALLEY ELECTRIC CO.</b>	
Calistoga Electric Co., complaint of.....	1061
Commission's investigation .....	1061
Certificate of public convenience and necessity, application for.....	615, 799
Cost of service .....	1072
Electric service supply .....	312
Operating revenues and expenses.....	1068, 1075
Rates .....	1071
<b>NEEDLES, town of, water rates and service.....</b>	<b>1238</b>
<b>NEVADA-CALIFORNIA-OREGON RAILWAY CO.</b>	
Headlight law, application for exemption from.....	1293
Modoc County, board of supervisors, complaint of.....	995
Wall, John, et al., complaint of .....	995
<b>NEVADA-CALIFORNIA-OREGON TELEPHONE AND TELEGRAPH COMPANY.</b>	
Bonds, application to issue.....	168, 839
Lease telephone plant.....	209
Purchase plant of California and Oregon Telephone Co.....	168, 839
Purchase plant of California Northern Telephone and Telegraph Co.....	168, 839
<b>NEVADA COUNTY NARROW GAUGE RAILWAY CO.</b>	
Bonds, application to issue.....	588
Present value .....	560
Reproduction value .....	559
Revenue and expenses.....	555
Traffic statistics .....	555
Valuation of .....	551
<b>NEVADA, county of, water rates for irrigation .....</b>	<b>438</b>
<b>NEW ENGLAND MILLS, town of, Southern Pacific Co. to abandon agency at .....</b>	<b>800</b>
<b>NORTHERN ELECTRIC RAILWAY CO.</b>	
Crossing construction, dispute over cost of.....	1046
Grade crossing, application for.....	1410
Marysville and Colusa Branch, application for approval of operating agreement with .....	1200
Oakland, Antioch and Eastern Railway, complaint of.....	1046, 1155
Operating agreements, application for approval of.....	725, 1200, 1203
Sacramento, county of, complaint of.....	725
Sacramento and Woodland Railway Co., application for approval of operating agreement with .....	1203
Transfer of franchise, application to.....	735
Transfer real estate, application to.....	1209
<b>NORTHWESTERN PACIFIC RAILROAD CO.</b>	
Bonds, application to issue.....	751
Grade crossings, application for.....	1410
Headlight law, application for extension of time.....	19
Klein Simpson Fruit Co., complaint of.....	1001
Less carload shipments, application to increase rate on.....	707
Passenger rates .....	690
Storage, L.C.L. shipments, application to increase .....	290
<b>NOTES, APPLICATION TO ISSUE.</b>	
Consolidated Securities Co.....	372, 1144
Consolidated Utilities Co. ....	1312
Glenwood Land Co.....	236
Gunn, James, Jr. ....	222
Home Telephone and Telegraph Co. of Santa Barbara.....	39, 73
Lindsay Home Telephone and Telegraph Co.....	174
Los Angeles and San Diego Beach Railway Co.....	780
Los Angeles Warehouse Co., The.....	1149
Midland Counties Public Service Corporation.....	1142
Modoc County Irrigation Co.....	1007
Mt. Konecti Light and Power Co., application to annul order authorizing .....	1151
Oakland, Antioch and Eastern Railway.....	1179, 142, 162
Ocean Shore Railway Co.....	1301
Oceanside Electric and Gas Co.....	219
One-day notes, authorization not necessary to issuance of.....	621



NOTES, APPLICATION TO ISSUE—Continued.		PAGE.
Oro Electric Corporation.....		492
Pacific Gas and Electric Co.....	499,	763
Pacific Light and Power Co.....		942
Peoples Water Co.....	1187,	1355
Sacramento Natural Gas Co.....		140
Sacramento Warehouse Co.....		949
San Diego Consolidated Gas and Electric Co.....		934
San Diego Home Telephone Co.....		58
San Francisco-Oakland Terminal Railways.....		1290
San Joaquin Light and Power Co.....	348, 1036,	1354
Sawtelle Water Co.....		723
Southern Counties Gas Co. of California.....		1290
Southwestern Home Telephone Co.....	247, 700,	1248
Tulare Home Telephone and Telegraph Co.....		621
United Railroads of San Francisco.....		1124
Ventura County Power Co.....		620
Western States Gas and Electric Co.....		1157
<b>OAKDALE, CITY OF.</b>		
Transfer of gas plant at.....	43,	56
Gas rates.....		43
<b>OAKDALE GAS CO.</b>		
Bonds, application to issue.....		495
Certificate of public convenience and necessity, application for.....		454
Purchase of gas plant.....	43,	56
<b>OAKLAND, ANTIOCH AND EASTERN RAILWAY.</b>		
Bonds and notes, application to issue.....	142,	162
Crossing, construction, dispute over cost of.....		1046
Notes, application to renew.....		1179
Northern Electric Railway Co., complaint against.....	1046,	1155
Protestant, application 878.....		735
<b>OAKLAND CHAMBER OF COMMERCE, intervenor, application of South Pacific Coast Railway.....</b>		
		484
OAKLAND, city of, transfer of telephone franchise.....		764
OAKVILLE, town of, electric rates.....		1061
O'BRIEN, J. F., intervenor, complaint of Charles H. Whitaker.....		977
<b>OCEAN PARK HEIGHTS LAND AND WATER CO., complaint of W. S. Van Sciever.....</b>		
		1309
<b>OCEAN SHORE RAILWAY CO.</b>		
Mileage statistics.....		1332
Notes, application to issue.....		1301
Original cost of.....		1342
Present value of.....		1344
Reproduction value of.....		1343
Revenues and expenses.....		1328
Valuation of.....		1328
OIL DRUMS, application to change classification on.....		242
OJAI Power Co., application to issue stock.....		1246
ONTARIO, city of, complaint against Ontario Uplands Gas Co.....		3
ONTARIO UPLANDS GAS CO., complaint of city of Ontario.....		3
<b>OPERATING AGREEMENTS.</b>		
Colusa and Hamilton Railway with Southern Pacific Co.....		433
Marysville and Colusa Branch, with Northern Electric Railway.....		1200
Sacramento and Woodland Railway with Northern Electric Railway.....		725
South Pacific Coast Railway with Southern Pacific Co.....		484
<i>See</i> AGREEMENTS.		
ORANGE, city of, grade crossing at.....		1410
<b>ORANGE, COUNTY OF.</b>		
Complaint against Wells Fargo & Co.....		200
Extension of gas service in.....		986
Grade crossing, application for.....		1410
ORANGES, complaint against rates on, to Oakland and San Francisco.....		411
ORO ELECTRIC CORPORATION, application to renew notes.....		492
OUTSIDE CONSUMERS, application of city of San Diego to fix rates for.....		906

	PAGE.
<b>PACIFIC BUILDING CO.</b>	
Brockheimer, H., complaint of .....	335
City of San Diego, application of, to establish rates to .....	902
Transfer of water system, application of .....	783
<b>PACIFIC COAST RAILWAY CO.</b>	
Certificate of public convenience and necessity, application for .....	204
Grade crossing, application for .....	1410
<b>PACIFIC ELECTRIC RAILWAY CO.</b>	
Contract joint use of tracks, application for, approval of .....	1352
Glendale and Montrose Railway Co., joint use of tracks with .....	1352
Grade crossing, application for .....	1410
Glendale, city of, application to cross tracks of .....	1403
Los Angeles, county of, application to cross tracks of .....	267
Los Angeles Rate Association, complaint of .....	19
Reed, Ed P., complaint of .....	159
Riverside, city of, application to cross tracks .....	1352
San Pedro, Los Angeles and Salt Lake Railroad, application to cross tracks .....	1352
<b>PACIFIC FREIGHT TARIFF BUREAU.</b>	
Barrels, wooden, application to change classification of .....	332
Crude oil rates, application to increase .....	261
Exception sheet, applications to amend .....	205, 242
Less carload shipments, application to increase minimum charge on .....	707
<b>PACIFIC GAS AND ELECTRIC CO.</b>	
Agreement, rate, application for approval of .....	1166
Bonds, application to issue .....	499, 763, 1383
Complaint of city of San Jose, motion to dismiss .....	231
Refinancing, plant of .....	1383
Sawyer, Chas. H., application for approval of agreement with .....	1166
Stock, application to issue .....	499, 763
Transformer, application to sell .....	795
<b>PACIFIC LIGHT AND POWER CO.</b>	
Bonds, application to issue .....	937
Certificate of public convenience and necessity, Ventura County .....	793
Certificate of public convenience and necessity, Huntington Beach .....	778
Consolidated Utilities Co., to purchase .....	352
Glendale Light and Power Co., to purchase .....	350
Huntington Beach Co., to purchase electric system of .....	778
Notes, application to issue .....	942
San Fernando, Mission Land Co., to purchase electric system of .....	384
Southern California Edison Co., to purchase San Fernando system of .....	1307
Wilson, John T., to purchase electric system of .....	381
<b>PACIFIC SEWER PIPE CO.</b>	
Complaint against Southern Pacific Company and Atchison, Topeka and Santa Fe Railway Co. ....	268
<b>PACIFIC TELEPHONE AND TELEGRAPH CO.</b>	
Bay Cities Home Telephone Co., transfer of franchise of .....	764
Certificate of public convenience and necessity, Oakland .....	764
Eagle Rock, application at .....	30
Farmer lines, rates, Modesto .....	711
Fesler, S. O., complaint of .....	711
Fulton, transfer system at .....	75
Deer Creek Rural Telephone System, purchase of .....	282
Laumann, F. E., purchase of system of .....	68
Mariposa, application to withdraw from .....	215
Redlands, city of, complaint of .....	280
Riverbank Telephone System, purchase of .....	462
San Jose, city of, complaint of .....	148
Terra Bella, telephone system, purchase of .....	75
Toll rates .....	342
<b>PAINE, CHARLES W. ET AL.,</b> complaint against Southern California Edison Co. ....	835
<b>PALMDALE WATER CO.,</b> complaint of Charles M. Whitaker .....	977
<b>PARMAN, JESSE,</b> complaint against Nevada-California-Oregon Railway .....	995

<b>PENINSULA RAILWAY CO.</b>	
Contract, application for approval of.....	423
Fleming, C. F., complaint of.....	94
<b>PEOPLES WATER CO.</b>	
Application to issue notes and pledge bonds.....	1187, 1355
Young, Anna, complaint against, dismissed.....	705
<b>PETALUMA, refrigeration charges on egg shipments from.....</b>	1001
<b>PIEDMONT, city of, complaint against San Francisco-Oakland Terminal     Railways .....</b>	1351
<b>PINNEY &amp; BOYLE MANUFACTURING CO., complaint against Atchison,     Topeka and Santa Fe Railway Co.....</b>	404
<b>PIT RIVER POWER CO.</b>	
Certificates of public convenience and necessity.....	14
Protestants, application of E. M. Wilson.....	80
Stock, application to issue.....	11, 319
<b>POINT LOMA RAILWAY, application to reduce service.....</b>	233
<b>PORTERVILLE, CITY OF.</b>	
Grade crossing at.....	1410
Central California Gas Co., to transfer real estate to.....	436
<b>PRATT, ROY A. ET AL, complaint against Spring Valley Water Co.....</b>	1077
<b>PULLMAN CO., THE.</b>	
Commission's investigation into.....	872
Cars, condition of .....	879
Double selling of berths by.....	873
Porters, actions of .....	878
Reservations of berths .....	876, 878
Rules and regulations of.....	872
<b>PURITY OF WATER, Commission's jurisdiction over.....</b>	1258
<b>QUINCY, Chamber of Commerce, complaint against Western Union Telegraph     Company .....</b>	1273
<b>QUINCY WESTERN RAILWAY CO., application for exception from pro-     visions of headlight law.....</b>	285
<b>RANDSBURG, city of, transfer of telephone system.....</b>	1176
<b>RATES.</b>	
<b>ELECTRIC:</b>	
Agricultural power rates .....	327
Calistoga Electric Co. ....	1061
Coast Valleys Gas and Electric Co.....	1366
Downey, town of .....	984
Monterey, city of, complaint of.....	1366
Western States Gas and Electric Co.....	327
Napa Valley Electric Co. ....	1061
Southern California Edison Co., Los Angeles County.....	159
Ukiah, town of, complaint of.....	293
<b>EXPRESS:</b>	
California Central Creameries, complaint of.....	200
Commission's investigation into .....	200
Merchants and Manufacturers' Associations of Los Angeles, complaint of .....	200
Orange, county of, complaint of.....	200
Wells Fargo & Co., general .....	200
<b>GAS:</b>	
Bakersfield Gas and Electric Co.....	843, 1218
Bakersfield, town of.....	843
California Natural Gas Co. ....	843, 1085, 1218
Commission's investigation, Bakersfield .....	843, 1218
Kern County Merchants' Association, complaint of.....	843, 1218
Los Angeles County, complaint against, wholesale rates.....	148
Natural gas, wholesale.....	57, 148
Ontario, town of, complaint against .....	3
Ontario Uplands Gas Co.....	3
San Jose, city of, motion to dismiss complaint.....	231
Southern California Gas Co., wholesale rates.....	148
West Side Gas Co.....	1085

## RATES—Continued.

PAGE.

## RAILROAD:

Apples, rates on.....	407
Barrels, wooden, application to increase classification of.....	332
Class rates, Sierra Railway Co., Atchison, Topeka and Santa Fe Rail- way Co. ....	122
Clay .....	268
Canned goods, to increase minimum weight on.....	225
Commutation, Marin County, Northwestern Pacific Railroad Co.....	680
Grain, complaint against rates on.....	283
Heaters, rates on.....	404
Live stock, increase on, granted.....	46
Lumber rates, application of Southern Pacific Co. to increase.....	165
Oil drums, to change classification on.....	242
Oranges, rates on.....	411
Passenger, Lennox to Los Angeles, Los Angeles Railway Corporation	629
Passenger, Marin County, Northwestern Pacific Railroad Co.....	680
Sand rates, complaint of Swift & Wilson against.....	166
Storage L.C.L. rates, application to increase.....	290
Street Railway, San Leandro, San Francisco-Oakland Terminal Rail- ways .....	1232
Tan bark, to change classification on.....	205
Through rates, Glendale and Eagle Rock Railway, and Los Angeles Railway Corporation .....	320

## TELEPHONE:

Antelope Valley Telephone Co., application to increase.....	889
Eagle Rock, town of .....	30
El Dorado, county of.....	210
Escalon, town of .....	464
Farmer line .....	711
Fulton, town of .....	68
Goodrich, A. F., application to increase.....	889
Kerman Telephone Co., application to increase.....	364
Lancaster, town of, increase of.....	889
Mariposa, county of .....	216
Modesto, city of .....	711
Pacific Telephone and Telegraph Co., Eagle Rock.....	30
Pacific Telephone and Telegraph Co., farmer line, Modesto.....	711
Pacific Telephone and Telegraph Co., Redlands.....	280
Pacific Telephone and Telegraph Co., San Jose.....	150
Pacific Telephone and Telegraph Co., Toll.....	342
Reedley Telephone Co., complaint of, to compel certain consumers to pay higher rates .....	1304
Redlands, city of, complaint of.....	280
Riverbank, town of .....	463
San Jose, city of, complaint of.....	150
Southwestern Home Telephone Co., Redlands .....	280
Terra Bella, town of.....	75
Toll rates .....	342
United States Long Distance Telephone Co., Redlands.....	280

## WATER:

Atwood, Harry R. ....	570
Ben Lomond Water Works, application to change rates.....	1181
Bolinas Water and Power Co.....	883
Eastside Canal and Irrigation Co.....	597
Encanto Mutual Water Co.....	570
Francioni, J. A., complaint of.....	184
Excelsior Water and Mining Co., application to increase.....	438
Garden Grove Water Co., application to change rates.....	1255
Inglewood Water Co. ....	944
Lawndale Land and Water Co., application to increase.....	838
Lawndale Land and Water Co., application to change to meter.....	1391
Los Altos Water Co., application to increase.....	515
Mound Water Co., application to increase rates.....	686
Murphy Water, Ice and Light Co. ....	1238
Napa Water Co. ....	1159

RATES—Continued.	PAGE.
San Diego, city of, application to establish.....	902
San Jose, city of, complaint of.....	1101
San Jose Water Co. ....	1101
Santa Clara Water and Irrigation Co., application to increase.....\$10, 948.	1010
Smith, Edgar C., application to increase.....	257
Soledad Land and Water Co. ....	184
South Feather Land and Water Co.....	1392
Ventura County Power Co.....	686
RAYMOND TELEPHONE CO., application to amend rules.....	806
RECLAMATION DISTRICT NO. 551, complaint against Great Western Power Co. ....	1174
REDBANKS, town of, grade crossing at.....	1410
REDLANDS, city of, complaint against telephone rates.....	280
REED, ED P., complaint against Pacific Electric Railway Co.....	159
REEDLEY, city of, to purchase water works.....	92
REEDLEY TELEPHONE CO.	
Complaint against L. O. Clough et al.....	1304
Complaint to compel certain consumers to pay higher rates.....	1304
REFRIGERATION, charges on egg shipments, Petaluma to Los Angeles....	1001
RE-ICING, shippers permitted to do own.....	1001
REPARATION.	
Rivers Bros. <i>vs.</i> Southern Pacific Co.....	407
Seatena, L. & Co. <i>vs.</i> Atchison, Topeka and Santa Fe Railway Co.....	411
RIALTO, CITY OF.	
Crescent City Railway to transfer franchise of.....	457, 459
Grade crossing at.....	1410
RICHMOND, CITY OF.	
Complaint against San Francisco-Oakland Terminal Railways.....	519
Grade crossing, application for.....	1410
RIPON, town of, transfer of telephone system.....	703
RIVERBANK, TOWN OF.	
Gas system, proposed construction of.....	454
Telephone system, transfer of.....	462
RIVERSIDE AND ARLINGTON RAILWAY CO., complaint of Los Angeles Rate Association.....	19
RIVERSIDE, CITY OF.	
Application to cross tracks of Salt Lake Railroad Co.....	1257
Pacific Electric Railway Co. to cross certain streets of.....	1257
RIVERS BROS., INC., complaint against Southern Pacific Co.....	407
ROCKLIN, town of, grade crossing at.....	1410
ROGERS, RALPH, to transfer water system to city of Los Angeles.....	1357
ROLLINS, E. H. & SONS, to issue equipment trust notes.....	1124
ROSEVILLE HOME TELEPHONE CO., application to sell system.....	975
ROSEVILLE, TELEPHONE CO., application to issue stock.....	975
ROSEVILLE, town of, transfer of telephone system.....	975
RULES AND REGULATIONS.	
Atwood, Harry R., water system.....	1226
Consolidated Canal Co. ....	592
Eastside Canal and Irrigation Co.....	608
Encanto Mutual Water Co.....	1226
Fresno Canal and Irrigation Co. ....	565
Hermosa Beach Water Co.....	334
Madera Canal and Irrigation Co.....	623
Pullman Co., The.....	872
Raymond Telephone Co., application to amend.....	806
Tujunga Water and Power Co.....	1168
Warehouses, Commission's investigation into.....	704
RUTHERFORD, town of, electric rates.....	1061
SACRAMENTO, city of, grade crossing at.....	1410
SACRAMENTO, COUNTY OF.	
Grade crossing, application for.....	1410
Northern Electric Railway Co., complaint against.....	725
Protestant, application \$78.....	725
Sacramento and Woodland Railway Co., complaint against.....	725

	PAGE.
SACRAMENTO NATURAL GAS CO., application to issue bonds.....	142
SACRAMENTO VALLEY ELECTRIC RAILWAY, application for grade crossing.....	1410
SACRAMENTO WAREHOUSE CO.	
Application to issue notes.....	949
Application to issue stock.....	951
SACRAMENTO AND WOODLAND RAILWAY CO.	
Grade crossing, application for.....	1410
Northern Electric Railway Co., operating agreement with.....	725, 1203
Sacramento, county of, complaint of.....	725
SAN BERNARDINO, city of, grade crossing at.....	1410
SAN BERNARDINO, county of, application for grade crossing.....	1410
SAND RATES, application of Southern Pacific Co. to cancel.....	1278
SAN DIEGO AND ARIZONA RAILWAY CO.	
Bonds, application to issue.....	177
Original cost of.....	674, 679
Revenues and expenses.....	669
Trackage.....	666
Valuation of.....	661
SAN DIEGO, CITY OF.	
Grade crossing at.....	1410
Municipal Water Works, valuation of.....	911, 913, 919, 920
Los Angeles and San Diego Beach Railway, application to remove depot.....	197
Water rates, application to establish.....	902
SAN DIEGO CONSOLIDATED GAS AND ELECTRIC CO.	
Application to issue bonds.....	97, 277, 588
Application to renew notes.....	934
SAN DIEGO ELECTRIC RAILWAY, application to reduce service.....	233
SAN DIEGO HOME TELEPHONE CO., application to issue notes and pledge bonds.....	58
SAN DIEGO AND SOUTHEASTERN RAILWAY.	
Grade crossing, application for.....	1410
Original cost of.....	546
Present value of.....	548
Reproduction value of.....	548
Tariff statistics.....	545
Valuation of.....	539
SAN DIMAS, city of, grade crossing at.....	1410
SANDISON, E. W., Jr., Wilmington Water Co. to issue stock to.....	790
SAN FERNANDO MISSION LAND CO., application to sell system.....	384
SAN FERNANDO, TOWN OF.	
Construction of gas plant at.....	1247
Grade crossing at.....	1410
Transfer of electric system.....	370, 381, 384, 1307
SAN FRANCISCO, city of, grade crossing at.....	1410
SAN FRANCISCO, NAPA AND CALISTOGA RAILWAY, application to issue bonds.....	50
SAN FRANCISCO OAKLAND TERMINAL RAILWAYS.	
Bonds, application to issue.....	1290
Gill, J. J., complaint of.....	1232
Grade crossing, application for.....	1410
Downtown association, complaint of.....	50
Johnston, T. D., complaint of.....	163
Notes, application to issue.....	1290
Piedmont, city of, complaint of.....	1351
Richmond, city of, complaint of.....	519
SANGER, city of, to purchase water works.....	775
SANGER WATER WORKS, application to sell system.....	775
SAN JOAQUIN, COUNTY OF.	
Agricultural power rates in.....	327
Grade crossing, application for.....	1410
SAN JOAQUIN LIGHT AND POWER CO.	
Application to issue notes and bonds.....	348, 1036, 1354
Financial statement.....	1039
Kern County Merchants' Association, complaint of.....	843

<b>SAN JOAQUIN LIGHT AND POWER CO.—Continued.</b>	<b>PAGE.</b>
Rehearing, Case 556, application for.....	1218
Valuation of .....	1039
<b>SAN JOAQUIN VALLEY FARM LANDS CO., application to sell tele- phone system .....</b>	<b>375</b>
<b>SAN JOAQUIN VALLEY TELEPHONE CO.</b>	
Certificate of public convenience and necessity, application for.....	375
Purchase telephone system.....	375
Stock, application to issue .....	375
<b>SAN JOSE, CITY OF.</b>	
Grade crossing at .....	1410
Pacific Gas and Electric Co., motion to dismiss complaint against....	231
Pacific Telephone and Telegraph Co., complaint against.....	150
San Jose Water Co., complaint against.....	1101
Water rates .....	1101
<b>SAN JOSE RAILROADS.</b>	
Contract, application for approval of.....	423
Knox, R. H. et al., complaint of.....	82
<b>SAN JOSE AND SANTA CLARA RAILROAD CO., Knox, R. H. et al., complaint of .....</b>	<b>82</b>
<b>SAN JOSE WATER CO.</b>	
Gem City Packing Co., complaint of.....	746, 1276
Purity of water, protection of.....	1113
Rates of .....	1123
San Jose, city of, complaint of.....	1101
Saratoga Improvement Association, complaint of.....	1258
Water rights, capitalization of .....	1101
<b>SAN LEANDRO, city of, street car rates to.....</b>	<b>1232</b>
<b>SAN LUIS OBISPO, grade crossing at.....</b>	<b>1410</b>
<b>SAN MARTIN, town of, construct streets across tracks of Southern Pacific Company .....</b>	<b>1381</b>
<b>SAN PEDRO, LOS ANGELES AND SALT LAKE RAILROAD CO.</b>	
Bonds, application to issue .....	1222
Grade crossing, application for .....	1410
Less carload shipments, application to increase minimum charge on.....	707
Pacific Electric Railway Co., application of, to cross tracks.....	1257
Riverside, city of, application of, to cross tracks.....	1257
Storage rates, application to increase.....	290
<b>SAN RAFAEL HEIGHTS, electric rates .....</b>	<b>159</b>
<b>SANTA BARBARA, CITY OF.</b>	
Extension of street railway service.....	414
Grade crossing at .....	1410
<b>SANTA BARBARA AND SUBURBAN RAILWAY, certificate of public convenience and necessity, application for.....</b>	<b>414</b>
<b>SANTA CATALINA ISLAND CO., application to discontinue service.....</b>	<b>55</b>
<b>SANTA CLARA, COUNTY OF.</b>	
Grade crossings, applications for.....	1381, 1408
Refusal to permit water company to use pipes of.....	746
<b>SANTA CLARA WATER AND IRRIGATING CO., application to increase rates .....</b>	<b>810, 948, 1010</b>
<b>SANTA MARIA VALLEY RAILROAD CO.</b>	
Original cost .....	1323
Present value .....	1325
Reproduction value .....	1324
Valuation of .....	1320
<b>SANTA MONICA, city of, water service.....</b>	<b>749, 1130</b>
<b>SANTA MONICA LAND AND WATER CO.</b>	
Control of Sawtelle Water Co. ....	723
Indebtedness due Sawtelle Water Co.....	723
<b>SANTA MONICA WATER CO.</b>	
Bonds, application to issue .....	1129
Certificate of public convenience and necessity, application for.....	749
<b>SARATOGA IMPROVEMENT ASSOCIATION, complaint against San Jose Water Co. ....</b>	<b>1250</b>
<b>SAVAGE, O. H., application of city of San Diego to establish water rates for</b>	<b>902</b>

SAWTELLE WATER CO.	PAGE.
Bonds, application to issue .....	750
Certificate of public convenience and necessity, application for .....	750
SAWYER, Charles H., Pacific Gas and Electric Co., for approval of agreement with .....	1166
SCATENA, L. & CO., complaint against Atchison, Topeka and Santa Fe Railway .....	411
SCHROEDER, G. E., complaint of Reedley Telephone Co. against .....	1304
SEAFOAM WAREHOUSE CO., application to lease warehouse and issue stock .....	772
SEAMAN, F. E. ET AL., complaint against Mt. Whitney Power and Electric Company .....	1362
SERASTOPOL, town of, grade crossing at .....	1410
SEENO, ANNA DELL, complaint of W. S. Van Sciever .....	1309
SEILER, H. E., complaint against San Francisco-Oakland Terminal Railways SERVICE, COMPLAINT AGAINST.	50
Atwood, Harry R. ....	26, 34, 207, 871, 944, 1226
Bell, Theodore A., water .....	1159
Calistoga Electric Co. ....	612
Commission has no jurisdiction to compel in San Francisco .....	1077
Diamond Ridge Ditch Co. ....	317
Eastside Canal and Irrigation Co. ....	597
Encanto Mutual Water Co. ....	26, 34, 507, 871, 944, 1226
Great Western Power Co. ....	245
Hermosa Beach Water Co. ....	286, 288
Hermosa Beach Water Co., application to discontinue .....	450
Insufficient water, service denied owing to .....	977
Klamath Lake Railroad, to discontinue .....	398
Los Angeles and Arizona Land Co., water .....	770
Los Angeles Railway Corporation, Los Angeles to Lennox .....	629
Mt. Whitney Power and Electric Co., contracts for .....	1357
Murphy Water, Ice and Light Co. ....	1238
Napa Water Co. ....	1159
Pacific Building Co., water .....	395
Palmdale Water Co. ....	977
Point Loma Railway Co., application to reduce .....	233
Ocean Park Heights, Land and Water Co. ....	1309
Ontario-Uplands Gas Co. ....	34
San Diego Electric Railway, application to reduce .....	233
San Francisco, jurisdiction over water .....	1077
San Francisco-Oakland Terminal Railways, San Leandro .....	163
San Jose Water Co. ....	746, 1250, 1276
Segno, Anna Dell, water, Ocean Park Heights .....	1309
Snowball-Sullivan Co., water .....	977
Soledad Land and Water Co. ....	184
Sweetwater Water Co. ....	131
Tajunga Water and Power Co. ....	1168
Water, jurisdiction in San Francisco .....	1077
Western Union Telegraph Co., Quincy .....	1237
SHASTA, county of, extension of electric service .....	14
SHERMAN WATER CO., transfer of property .....	447, 456
SIERRA MADRE, city of, purchase of water system .....	983
SIERRA MADRE WATER CO., application to sell system .....	983
SIERRA RAILWAY COMPANY OF CALIFORNIA.	
Angels Lumber Co., complaint of .....	121
Hobart Estate, complaint of .....	121
Rates, application to increase .....	121
Sonora, city of, complaint of .....	121
Tuolumne, county of, complaint of .....	121
Utica Gold Mining Co., complaint of .....	121
SIGNAL HILL WATER CO., application to issue stock .....	702
SISKIYOU, county of, application for crossing over tracks of Southern Pacific Co. ....	1315
SISSON, TOWN OF.	
Depot facilities .....	355, 523
Southern Pacific Co., complaint against .....	355, 523



	PAGE.
SMITH, EDGAR C., application to increase water rates.....	257
SNOWBALL-SULLIVAN CO., complaint of Charles M. Whitaker.....	977
SNOW MOUNTAIN WATER AND POWER CO., complaint of town of Ukiah.....	293
SOLANO, town of, grade crossing at.....	1410
SOLEDAD LAND AND WATER CO., complaint of J. A. A. Francioni et al.....	184
SONORA, city of, complaint against Sierra Railway Co.....	121
SOUTH ANTELOPE VALLEY IRRIGATION CO., complaint of C. H. Whitaker.....	977
<b>SOUTHERN CALIFORNIA EDISON CO.</b>	
Bonds, application to issue.....	88, 1215
Consolidated Securities Co., purchase of.....	370
Downey Light and Power Co., purchase of.....	984
Long Beach Consolidated Gas Co., application to purchase stock of.....	1310
Rate schedules, application for approval of.....	159
San Fernando Electric System, application to sell.....	1307
<b>SOUTHERN CALIFORNIA GAS CO.</b>	
Certificate of public convenience and necessity, application for:	
Burbank.....	1212
Los Angeles County.....	418, 421, 427, 1207
Glendale.....	60
Orange County.....	452
San Fernando.....	1217
Tropico.....	1214
Industrial Gas, application to fix rate for.....	148
Paine, Charles W., et al., complaint of.....	835
Rehearing, Case 464, application for, denied.....	57
Stock, application to issue.....	987, 1173
<b>SOUTHERN CALIFORNIA MOUNTAIN WATER CO., application of city of San Diego to fix water rates for.....</b>	<b>902</b>
<b>SOUTHERN COUNTIES GAS CO.</b>	
Agreement, application for approval of.....	1146
Bonds, applications to issue.....	196, 1351, 1352
Notes, application to issue.....	1390
<b>SOUTHERN PACIFIC CO.</b>	
Angels Lumber Co., complaint of.....	121
Apples, rates on Beaumont, Crafton to Los Angeles.....	407
Baker, Mark W., complaint of.....	401
Bonds, application to issue.....	191, 203
Canned goods, application to increase minimum weight on.....	225
Chappell, J. J., et al., complaint of.....	246
Class rates, application to increase.....	121
Clay rates.....	268
Colusa and Hamilton Railroad Co., application to lease.....	433
Crocker, W. F., complaint of.....	11
Forest products, application to amend tariffs on.....	205
Fourth Street Improvement Club, complaint of, depot.....	1299
Freight traffic, Sission.....	361
Grade crossings, applications for.....	1410
Grayson-Owen Co., complaint of, application for rehearing.....	210
Headlights, extension of time to install.....	124
Hobart Estate, complaint of.....	121
Independent Sewer Pipe Co., complaint of.....	268
Inglewood Brick and Tile Co., complaint of.....	268
Joslin, Garnett A., complaint of.....	1405
Less carload shipments, to increase minimum charge on.....	707
Long and Short Haul Clause, application for relief from:	
Passenger rates, San Francisco to Merced.....	649
Passenger rates, Fresno and Goshen Junction to Hanford.....	651
General.....	654, 655
Lucot, W. T., complaint of.....	116
Lumber rates, application to increase.....	165
Merchants' Traffic Association, complaint of.....	268
Modesto Chamber of Commerce, complaint of, depot facilities.....	1054
Mt. Shasta Milling Co., complaint of.....	283

<b>SOUTHERN PACIFIC CO.—Continued.</b>	<b>PAGE.</b>
New England Mills, application to move station.....	800
Pacific Sewer Pipe Co., complaint of.....	268
Passenger traffic, Sisson.....	360
Rivers Bros., complaint of.....	407
Sand Rates, application to cancel.....	1278
Sand rates, complaint against.....	166
Santa Clara, county of, application to cross tracks.....	1381, 1408
Siskiyou, county of, application to cross tracks.....	1315
Sisson, town of, complaint of depot.....	355, 523
Sonora, city of, complaint of.....	121
South Pacific Coast Railway to amend agreement with.....	484
Spur track, refusal to operate.....	1405
St. Louis Fire Brick and Clay Co., complaint of.....	268
Station facilities:	
Modesto.....	1054
New England Mills.....	800
San Francisco.....	1299
Sisson, town of.....	355, 523
Turlock.....	1264
Storage rates, less than carload, application to increase.....	290
Swift & Wilson, complaint of.....	166
Tanbark, application to amend tariffs on.....	205
Tuolumne, county of, complaint of.....	121
Turlock, city of, complaint of, depot facilities.....	1264
Stopping of trains.....	1264
Utica Gold Mining Co., complaint of.....	121
Wooden Casks, to raise classification on.....	332
<b>SOUTHERN SIERRAS POWER CO., complaint of Southwestern Home Telephone Co.,</b> .....	437
<b>SOUTH FEATHER LAND AND WATER CO.</b>	
Cole, L. E. et al., complaint of.....	1392
Discontinuance of service to unprofitable consumers.....	1392
Revenues and expenses.....	1396
<b>SOUTH PACIFIC COAST RAILWAY.</b>	
McConaughy, Neal A., application of, to cross tracks.....	15
Operating agreement, application for approval of.....	484
<b>SOUTH SAN FRANCISCO BELT RAILWAY.</b>	
Pre-ent value.....	1286
Reproduction value.....	1285
Revenues and expenses.....	1283
Valuation of.....	1281
<b>SOUTH VALLEJO, lumber rates to.....</b>	165
<b>SOUTHWESTERN HOME TELEPHONE CO., application to issue stock, bonds and notes.....</b>	247, 700, 1248
Redlands, city of, complaint of.....	280
Southern Sierras Power Co., complaint against.....	437
<b>SPRING VALLEY WATER CO.</b>	
Commission's jurisdiction over service of, in San Francisco.....	1077
Pratt, Roy A. et al., complaint of.....	1077
<b>SPUR TRACK, refusal of Southern Pacific Co. to operate.....</b>	1405
<b>STANDARD OIL CO.</b>	
Application to issue stock.....	129, 139
Contract with California Natural Gas Co.....	845
<b>STATE COMMISSION IN LUNACY, complaint against Atchison, Topeka and Santa Fe Railway Co.....</b>	705
<b>STATION. See DEPOTS.</b>	
<b>STEARNE, EDWIN, complaint against San Francisco-Oakland Terminal Railways.....</b>	50
<b>STEVINSON COLONY, irrigation rates and service to.....</b>	597
<b>STEWART, EDGAR L., complaint against Great Western Power Co.....</b>	245
<b>ST. HELENA, town of, electric rates.....</b>	1061
<b>ST. LOUIS FIRE BRICK AND CLAY CO., complaint against Southern Pacific Co., and Atchison, Topeka and Santa Fe Railway.....</b>	268

STOCK, APPLICATIONS TO ISSUE:	PAGE.
Banning Water Company .....	788
Big Four Electric Railway Co. ....	1027
Campbell Water Co., The .....	961
Central California Gas Co. ....	237, 393, 1235
City Water Company of Banning .....	788
Clear Lake Railroad Co. ....	989
Consolidated Utilities Co. ....	1312
Cuyamaca Water Co. ....	1294
Death Valley Railroad Co. ....	389
Escalon Water and Light Co. ....	94
Fairmont Water Co. ....	783
Fowler Gas Co. ....	1230
Fresno Interurban Railway Co. ....	1195
Globe Warehouse Co. ....	386
Halfmoon Bay Light and Power Co. ....	1147
Happy Valley Light and Water Co. ....	940
Kerman Telephone Co. ....	367
Lawndale Light and Water Co. ....	1391
Long Beach Consolidated Gas Co. ....	1136, 1310
Los Verjels Light and Water Co. ....	91
Marin County Electric Railways .....	503, 698, 806, 840
Minkler Southern Railway Co. ....	993
Oakdale Gas Co. ....	43, 495
Oakdale Gas Co. ....	43, 495
Ojai Power Co. ....	1246
Pacific Gas and Electric Co. ....	1383
Pitt River Power Co. ....	11, 319
Roseville Telephone Co. ....	975
Sacramento Warehouse Co. ....	951
San Diego and Arizona Railway Co. ....	177
San Joaquin Valley Telephone Co. ....	375
Seafoam Warehouse Co. ....	772
Signal Hill Water Co. ....	702
Southern California Edison Co., application to purchase .....	1310
Southern California Gas Co. ....	987, 1173
Southern Pacific Co. ....	191, 203
Southwestern Home Telephone Co. ....	247, 700, 1248
Standard Oil Co. ....	127, 139
Suburban Water Co. ....	226
Tidewater Southern Railway Co. ....	1272
Tulare County Power Co., dismissed .....	1036
Wilmington Water Co. ....	790
STOCKTON, city of, grade crossing at .....	1410
STOCKTON TERMINAL AND EASTERN RAILWAY CO., application to issue bonds .....	241
STOPPAGE OF TRAINS, complaint of city of Turlock to compel .....	1264
STORAGE RATES, application of carriers to increase L.C.L. ....	290
STRATHMORE, town of, grade crossing at .....	1410
SUBURBAN WATER CO., purchase of water system .....	226
SUNNYVALE, town of, purchase of water system .....	835
SUNNYVALE WATER CO., application to sell system .....	835
SUNSET TELEPHONE AND TELEGRAPH CO., to transfer property .....	586
SWEETWATER WATER CO., complaint of Frank Turnbull against .....	131
SWIFT & WILSON, complaint against Southern Pacific Co. ....	166
TAFT, CITY OF.	
Gas rates of .....	1092
West Side Gas Co., complaint against .....	1092
TERRA BELLA, town of, transfer of telephone system .....	75
THERMAL BELT WATER CO.	
Contract with Santa Clara Water and Irrigation Co. ....	810
Extension of time, increase in rates to .....	948
Rehearing, application for .....	1010
Santa Clara Water and Irrigation Co., application to increase rates to .....	810
THISTLE, L. G., application for certificate of public convenience and necessity .....	215

	PAGE.
THRALL, town of, discontinuance of railroad service to.....	398
TIDEWATER SOUTHERN RAILWAY CO.	
Grade crossing, applications for.....	1410
Stock and bonds, application to issue.....	1272
TIME TABLES, application to change.....	100
TITLE GUARANTEE AND TRUST CO., application to sell portion of Glendale Consolidated Water Co.....	1357
TOLL RATES, Pacific Telephone and Telegraph Co.....	342
TONOPAH AND TIDEWATER RAILROAD CO.	
Extension of.....	389
Less carload shipments, application to increase minimum charge on.....	290, 707
TORRANCE, town of, grade crossing at.....	1410
TRANSFER OF PROPERTY.	
Anderson, J. R., to Oakdale Gas Co.....	43, 56
Ball, Wm. E. Melvin Place water plant to Jesse S. Harker.....	798
Bell, Theodore A., water system to Napa City Water Co.....	1159
Bloom, J. W., Daly City Water System to Suburban Water Co.....	226
Blowers, G. H., Reedley Water Works to City of Reedley.....	92
Burcham, Rose L., telephone system to Interstate Telephone Co.....	1176
California Northern Telephone and Telegraph Co. to Nevada, California and Oregon Telephone and Telegraph Co.....	168, 839
California and Oregon Telephone Co. to Nevada, California and Oregon Telephone and Telegraph Co.....	168, 839
Campbell Water Co. to The Campbell Water Co.....	961
Central California Gas Co., certain property to city of Porterville.....	436
Coley Craig Co., telephone system to Pacific Telephone and Telegraph Co.....	462
Colton Grain and Milling Co., warehouse to Globe Warehouse Co.....	386
Consolidated Securities Co. electric system to Southern California Edison Company.....	370
Consolidated Utilities Co., electric system to Pacific Light and Power Co.....	352
Crescent City Railway, franchise to Wm. G. Henshaw.....	457
Deer Creek Rural Telephone Co., Terra Bella telephone system to Pacific Telephone and Telegraph Co.....	75, 282
Downey Light and Power Co. to Southern California Edison Co.....	984
Durfy, P. T., water system to Los Angeles County.....	447, 456, 1035
Louis Evans, telephone system, to San Joaquin Valley Telephone Co.....	375
Glendale Consolidated Water Co., portion of system to city of Los Angeles	1457
Glendale and Montrose Railway Co., certain real estate to Glendale.....	1206
Glendora Light and Power Co. to Pacific Light and Power Co.....	350
Globe Grain and Milling Co., warehouse to Globe Warehouse Co.....	386
Hanton, John, to compel P. T. Durfy to sell to him.....	456, 1048
Huntington Beach Co., electric system to Pacific Light and Power Co.....	778
Kummeth, Frank, water works to city of Sanger.....	775
Lawndale Water Co. to Lawndale Land and Water Co.....	838, 1391
Laumann, F. E., Fulton Telephone system to Pacific Telephone and Tele- graph Co.....	68
Mclay Rancho Water Co., electric system to Southern California Edison Company.....	370
Melvin Place water plant to Jesse S. Harker.....	798
Murry and Fletcher to Cuyamaca Water Co.....	1294
Northern Electric Railway, certain real estate to R. B. Cranston.....	1209
Pacific Building Co., East San Diego water system to Fairmont Water Company.....	783
Pacific Gas and Electric Co., equipment to West Sacramento Electric....	795
Randsburg, telephone system, to Interstate Telephone Co.....	1176
Rogers, Ralph, water system to city of Los Angeles.....	1357
Roseville Home Telephone Co., to Roseville Telephone Co.....	975
San Fernando Mission Land Co., electric system to Pacific Light and Power Corporation.....	381
San Joaquin Valley Farm Lands to San Joaquin Valley Telephone Co.....	375
Sherman Water Co., P. T. Durfy, to sell.....	447, 456, 1035, 1048
Sierra Madre Water Co., to city of Sierra Madre.....	983
Southern California Edison Co., San Fernando electric system to Pacific Light and Power Co.....	1307

TRANSFER OF PROPERTY—Continued.	PAGE.
Sunnyvale Water Co. of city of Sunnyvale.....	835
Wilson, John T., electric system to Pacific Light and Power Corporation.....	381
Yaple & Co., Ripon telephone system to J. S. Moulton.....	703
TROPICO, town of, extension of gas service to.....	1214
TUJUNGA TERRACE IMPROVEMENT ASSOCIATION, service Tujunga Water Company to.....	1168
TUJUNGA VALLEY IMPROVEMENT ASSOCIATION, service Tujunga Water Co. to.....	1168
TUJUNGA WATER AND POWER CO., Commission's investigation into service of.....	1168
TULARE, city of, transfer of telephone system.....	586
TULARE, county of, application for grade crossing.....	1410
TULARE COUNTY POWER CO., application to issue stock.....	1036
TULARE HOME TELEPHONE AND TELEGRAPH CO.	
Notes application to issue.....	621
Purchase of Sunset Telephone Co. (Tulare system).....	586
TUOLUMNE, county of, complaint against Sierra Railway Co.....	121
TURLOCK, city of, complaint against Southern Pacific Co.....	1264
TURNBULL, FRANK, CO., complaint against Sweetwater Water Co.....	131
TUSTIN JUNCTION, grade crossing at.....	1410
UKIAH, town of, complaint against Snow Mountain Water and Power Co.....	293
UNION TRUST COMPANY OF SAN FRANCISCO, application of United Railroads Co. to issue notes.....	1124
UNION WATER COMPANY OF CALIFORNIA, complaint of Ingrham Hughes against.....	1026
UNITED RAILROADS OF SAN FRANCISCO, application to issue car equipment trust notes.....	1124
UNITED STATES LONG DISTANCE TELEPHONE AND TELEGRAPH CO., complaint of city of Redlands against.....	280
UNPROFITABLE CONSUMERS.	
Additional expenses for, utilities do not have to incur.....	1258
Discontinue service to, utilities can not.....	1392
UPLANDS, city of, application for grade crossing.....	1410
VALLEJO AND NORTHERN RAILWAY CO.	
Agreement with Oakland, Antioch and Eastern Railway.....	730
Transfer franchise, application to.....	735
VALUATIONS.	
Bakersfield Gas and Electric Co.....	859
California Natural Gas Co. (Bakersfield Division).....	852, 853
Camino, Placerville and Lake Tahoe Railway.....	109
Cost Valleys Gas and Electric Co. ....	1369
Encanto Mutual Water Co. ....	579
Eureka Water Co. ....	466
Fairmont Water Co. ....	784
Glendale, city of, to fix for water companies.....	1011
Glendale Consolidated Water Co.....	1011
Huntington Beach Co., electric work.....	779
Klamath Lake Railroad.....	400
Long Beach Consolidated Gas Co. ....	1138
Los Angeles and San Diego Beach Railway.....	525
Miradero Water Co. ....	1011
Napa Valley Electric Co. ....	1064
Nevada County Narrow Gauge.....	551
Ocean Shore Railroad.....	1328
Ontario Uplands Gas Co. ....	6, 7
Overhead percentages, allowance for gas construction.....	1372
Peoples Water Co., application of Anna Young for valuation, dismissed.....	705
Soledad Light and Water Co. ....	188
San Diego and Arizona Railway Co. ....	661
San Diego Municipal Water System.....	911, 13, 19, 20
San Diego and Southeastern Railway.....	539
Sanger Water Works.....	777
San Jose Water Co. ....	1120
Santa Maria Valley Railroad.....	1320

VALUATIONS—Continued.	PAGE.
South San Francisco Belt Railway.....	1281
Ventura County Railway Co. ....	635
Verdugo Pipe and Reservoir Co. ....	1011
Verdugo Springs Water Co. ....	1011
VAN SCIEVER, W. S., complaint against Ocean Park Heights Land and Water Co. and Anna Dell Segno.....	1309
VENTURA, COUNTY OF.	
Extension of electric service in.....	793
Irrigation rates .....	686
VENTURA, COUNTY POWER COMPANY.	
Notes, application to issue.....	629
Rates, application to increase.....	686
VENTURA COUNTY RAILWAY CO.	
Financial condition .....	638
Present value .....	645
Reproduction value .....	643
Revenues and expenses .....	639
Traffic statistics .....	639
Valuation of .....	635
VERDUGO CANYON WATER CO., application of city of Glendale to fix value of .....	1011
VERDUGO PIPE AND RESERVOIR, application of city of Glendale to fix value of .....	1011
VERDUGO SPRINGS WATER CO., application of city of Glendale to fix value of .....	1011
VERNON, CITY OF.	
Extension gas service to .....	1207
Grade crossing at .....	1410
WALL, JOHN ET AL., complaint against Nevada-California-Oregon Railway Company .....	905
WALNUT GROVE, city of, grade crossing at .....	1410
WAREHOUSES.	
Commission's investigation into rules and regulations of.....	704
Long Beach Milling Co. to lease to Seafoam Warehouse Co. ....	772
WARREN, J. D. ET AL., complaint against Murphy Water, Ice and Light Co.	1238
WATER RIGHTS.	
Appropriation to private use.....	810
Capitalization of .....	1101
Eureka Water Company, valuation of.....	476
Commission's power to fix value of.....	921
Value of .....	1020
WEED LUMBER CO., application of Siskiyou County to cross tracks of...	1315
WEED, town of, crossing over Southern Pacific tracks at.....	1315
WEEKS, F. P., complaint against California Development Co. ....	57
WELLS FARGO & CO. EXPRESS.	
California Central Creameries, complaint of.....	200
Commission's investigation of .....	200
Felton, Benjamin W., complaint of.....	944
Merchants and Manufacturers' Association of Los Angeles, complaint of	200
Orange, county of, complaint of.....	200
WEST SACRAMENTO ELECTRIC, purchase of transformers.....	795
WEST SIDE GAS CO.	
Commission's investigation, wholesale rates to.....	1085
Cost of .....	1094
Rates of .....	1100
Taft, city of, complaint of.....	1092
WEST SIDE LUMBER CO., petition for rehearing.....	122
WEST SIDE RAILROAD CO., application to acquire bridge franchise of Northern Electric Railway, and Vallejo and Northern Railway.....	735
WESTERN PACIFIC RAILWAY CO.	
Less carload rates, application to increase.....	290, 707
Tariff on forest products, application to amend.....	205

WESTERN STATES GAS AND ELECTRIC CO.	PAGE.
WELLS, FARGO & CO. EXPRESS, Commission's investigation into rates of	200
Bonds, application to issue	402
Notes, application to issue	1157
Woodworth, C. C., complaint of	327
WESTERN UNION TELEGRAPH Co., complaint of Quincy Chamber of Commerce	1273
WHITAKER, CHARLES MITCHELL, complaint against Snowball-Sulli- van Company and Palmdale Water Co.	977
WHITTIER, town of, grade crossing at	1410
WILMINGTON WATER CO.	
Certificate of public convenience and necessity, application for	71, 706
Stock, application to issue	790
WILSON, E. M. and L. A., application for certificate of public convenience and necessity, Lassen County	80, 717
WILSON, JOHN T., application to sell electric system, San Fernando	381
WOODLAKE, town of, grade crossing at	1410
WOODLAND, city of, grade crossing at	1410
WOODWORTH, C. C. ET AL., complaint against Western States Gas and Electric Co.	327
YAPPEL & CO., application to sell telephone plant, Ripon	703
YOLO, COUNTY OF.	
Grade crossing, application for	1410
Protestant, application	878, 735
YOUNG, ANNA, application of, to fix valuation Peoples Water Co., dismissed	705
YOUNTVILLE, town of, electric rates of	1061
YUBA, county of, irrigation rates of	438









**THIS BOOK IS DUE ON THE LAST DATE  
STAMPED BELOW**

**AN INITIAL FINE OF 25 CENTS**

WILL BE ASSESSED FOR FAILURE TO RETURN THIS BOOK  
ON THE DATE DUE. THE PENALTY WILL INCREASE TO  
50 CENTS ON THE FOURTH DAY AND TO \$1.00 ON THE  
SEVENTH DAY OVERDUE.

Book Slip-10m-8,'58(5916s4)458

173115

Calif. Public Utilities  
Commission.  
Decisions.

Call Number:

HD2767

C2

A34

v.4

Call

HD2767

C2

A34

v.4

173115

